

City of San José 457 Plan

Investment Performance Evaluation Report

As of June 30, 2014

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INTRODUCTION

This report reviews the investment performance of the City of San José for the quarter ending June 30, 2014, as well as other periods ending on that date. While the most recent quarter is the focus point of this report, we recommend concentration on longer time periods for the consideration of any changes to the investment policy or manager structure.

Performance measurement in this report is designed to:

- Provide an understanding of the environment in which the funds were managed;
- Verify that the assets were managed in compliance with guidelines;
- Assess the managers' strengths, continuity of style, and the means of achieving the performance; and
- Serve as a communications tool for internal focus, as well as to fulfill fiduciary obligations.

This report is based upon data provided by The City of San José, ING, Morningstar, and fund management firms.

Plan Overview

Net Assets

- Plan assets totaled \$779.8 million, as of June 30, 2014. This is up from \$765.9 million, as of December 31, 2013.

Asset Allocation

- Plan assets were allocated 26% to Short-Term funds, 4% to Bond funds, 23% to Asset Allocation funds, 37% to U.S. Equity funds, 6% to International Equity funds and 4% to Other (Real Estate and SDBA).

Fund Updates

- **Vanguard Total International Stock Index:** The Signal share class will be automatically converted to Admiral Shares on or about October 24, 2014 (clients have the option to immediately convert their shares). The expense ratios, underlying investments, and dollar value of shareholders' accounts will remain the same after the conversion.
- **BlackRock Inflation Protected Bond:** On June 27th, one of the fund's co-managers was replaced. Prior to the change, the fund was jointly managed by Martin Hegarty (since 2010) and Brian Weinstein (since 2005). On June 27th, Brian Weinstein was replaced by Gargi Pal Chaudhuri. Chaudhuri has been with BlackRock since 2010.
- **American Funds EuroPacific Growth:** Traditionally, this fund has been managed by several portfolio managers who manage independently of one another. A small percentage of fund assets is also managed by the Capital Group's investment analyst pool. One of the fund's managers, Stephen Bepler, who has co-managed the fund since its inception in 1984, retired at the end of 2013. On June 1st, American Funds announced the addition of Lawrence Kymisis to the management team. He has 19 years of investment experience, 11 of which is with the Capital Group. Also on June 1st, Robert Lovelace, who has co-managed the fund since 1994, transitioned out of the EuroPacific Growth Fund to focus on two other funds in the American Funds family.

While the departure of two long-term co-managers is certainly a loss for the fund, we do not believe it is cause for alarm. The fund remains diversified among nine experienced portfolio managers. The fund continues to follow an ultra-diversified, low-turnover strategy.

Asset Allocation

As of June 30, 2014

# of Options	Options	Plan Assets	% of Plan
2	Vanguard Prime Money Market I	\$6,951,983	<1%
	ING Stable Value	\$199,283,226	25.6%
	Total Assets in Short-Term Funds	\$206,235,209	26%
3	PIMCO Total Return Instl	\$17,158,398	2.2%
	BlackRock Inflation Prot. Bond Instl	\$4,806,643	<1%
	Templeton Global Bond VIP CI 1	\$7,535,216	<1%
	Total Assets in Bond Funds	\$29,500,257	4%
2 (14)	Custom Lifestyle Portfolios	\$168,196,668	21.6%
	Vanguard Target Date Funds	\$12,237,508	1.6%
	Total Asset Allocation Funds	\$180,434,176	23%
13	Allianz NFJ Dividend Value I	\$19,198,445	2.5%
	Yacktman Svc	\$32,120,685	4.1%
	Parnassus Core Equity Instl	\$5,095,560	<1%
	Vanguard Instl Index I	\$28,659,569	3.7%
	Vanguard Total Stock Market Index Instl	\$35,127,631	4.5%
	Fidelity Advisor New Insights I	\$22,932,078	2.9%
	Amer Funds Growth Fund of Amer R5	\$79,046,978	10.1%
	Fidelity VIP Mid Cap Portfolio Initial	\$20,090,283	2.6%
	Perkins Small Cap Value I	\$1,381,261	<1%
	JP Morgan Mid Cap Value Instl	\$5,643,084	<1%
	Vanguard Mid Cap Index Instl	\$15,449,239	2.0%
	Vanguard Small Cap Index Instl	\$19,700,242	2.5%
	Wanger USA	\$2,745,502	<1%
	Total U.S. Equity Funds	\$287,190,556	37%
4	Vanguard Total Int'l Stock Index Signal	\$1,972,767	<1%
	Amer Funds EuroPac Growth R5	\$25,171,360	3.2%
	DFA International Small Company I	\$5,153,667	<1%
	Oppenheimer Developing Markets Y	\$13,236,206	1.7%
	Total International Equity Funds	\$45,534,001	6%
2	ING Clarion Real Estate Portfolio I	\$7,255,670	<1%
	TD Ameritrade Self Directed Brokerage	\$23,681,961	3.0%
	Total Assets in Other	\$30,937,630	4%
TOTAL		\$779,831,829	

Asset Allocation Funds

As of June 30, 2014

# of Options	Options	Plan Assets	% of Plan
3	Conservative Custom Lifestyle Portfolio	\$15,647,577	2.0%
	Moderate Custom Lifestyle Portfolio	\$91,749,685	11.8%
	Aggressive Custom Lifestyle Portfolio	\$60,799,406	7.8%
	Total Custom Lifestyle Portfolios	\$168,196,668	22%
11	Vanguard Target Retirement Income Inv	\$730,860	<1%
	Vanguard Target Retirement 2010 Inv	\$310,450	<1%
	Vanguard Target Retirement 2015 Inv	\$2,517,887	<1%
	Vanguard Target Retirement 2020 Inv	\$1,638,270	<1%
	Vanguard Target Retirement 2025 Inv	\$1,966,483	<1%
	Vanguard Target Retirement 2030 Inv	\$652,588	<1%
	Vanguard Target Retirement 2035 Inv	\$1,095,163	<1%
	Vanguard Target Retirement 2040 Inv	\$691,107	<1%
	Vanguard Target Retirement 2045 Inv	\$1,668,778	<1%
	Vanguard Target Retirement 2050 Inv	\$392,822	<1%
	Vanguard Target Retirement 2055 Inv	\$573,101	<1%
	Total Target Date Funds	\$12,237,508	2%
Total Asset Allocation Funds		\$180,434,176	

Range of Investment Options

**Lower Expected Risk/
Lower Expected Return**

**Higher Expected Risk/
Higher Expected Return**

Money Market/ Stable Value	Fixed Income/ Bond	Balanced	Domestic Equity			Global/ Int'l Equity	Other
1. Vanguard Prime Money Market Instl	1. PIMCO Total Return Instl	1. Target Risk (3 Custom Portfolios)	Large Value	Large Blend	Large Growth	1. Vanguard Total Int'l Index Sig	1. ING Clarion Real Estate I
2. ING Stable Value	2. BlackRock Infl-Prot Bond I		1. Allianz NFJ Dividend Value I	1. Vanguard Instl Index	1. Fid Advisor New Insights I	2. AF EuroPac Gr R5	2. TD Ameritrade SDBA
	3. Templeton Global VIP CI 1	2. Vanguard Target Date (11 Funds)	2. Yacktman Svc	2. Vanguard Total Stk Index	2. AF Growth Fund Amer R5	3. DFA Int'l Small Company I	
				3. Parnassus Core Equity Instl		4. Oppenheimer Developing Mkts Y	
			Mid Value	Mid Blend	Mid Growth		
			1. JP Morgan Mid Cap Value Instl	1. Vanguard Mid Cap Index Instl	1. Fid VIP Mid Cap Portfolio Initial		
			Small Value	Small Blend	Small Growth		
			1. Perkins Small Cap Value I	1. Vanguard Small Cap Index Instl	1. Wanger USA		

Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2014

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense
	8/26/14	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	Ratio
Vanguard Prime Money Market Instl	0.04	0.01	0.03	0.06	0.08	0.14	1.84	0.01	0.03	0.09
ING Stable Value (Book Value)	-	0.49	0.97	2.05	2.07	2.37	-	-	-	0.47
Citi Treasury 3 Mon	-	0.01	0.02	0.04	0.05	0.08	1.54	0.01	0.01	-
PIMCO Total Return Instl	4.08	2.33	3.63	4.73	4.17	6.24	6.22	3.92	3.70	0.61
BarCap US Agg Bond	4.50	2.04	3.93	4.37	3.66	4.85	4.93	2.77	2.85	-
Avg Intermediate Bond	4.54	2.09	4.10	5.07	4.08	6.02	4.77	2.96	3.18	0.88
BlackRock Inflation Prot Bond I	5.91	3.89	5.82	4.54	3.54	5.39	5.61	5.16	4.83	0.44
BarCap US Treasury US TIPS	6.16	3.81	5.83	4.44	3.55	5.55	5.25	5.49	5.22	-
Avg Inflation-Protected Bond	4.94	3.26	4.92	3.77	2.63	4.88	4.70	5.05	5.04	0.79
Templeton Global Bond VIP CI 1	4.27	2.48	3.33	6.90	4.60	8.89	9.60	9.08	8.39	0.51
Citi World Government Bond Idx	4.27	2.27	5.00	6.85	1.57	3.60	4.82	4.47	5.87	-
Avg World Bond	4.89	2.50	4.92	7.10	3.43	6.02	5.26	5.29	5.93	1.07
Conservative Lifestyle Portfolio	-	2.03	3.01	8.68	6.38	7.78	-	-	-	0.46
Avg Conservative Allocation	5.17	2.97	4.90	10.80	6.50	9.48	5.42	6.03	6.33	1.29
Moderate Lifestyle Portfolio	-	2.84	4.01	15.10	9.31	11.77	-	-	-	0.50
Avg Moderate Allocation	6.23	3.60	5.41	16.03	9.61	12.57	6.44	8.87	9.43	1.30
Aggressive Lifestyle Portfolio	-	3.67	5.09	21.35	12.04	15.47	-	-	-	0.50
Avg Aggressive Allocation	6.53	4.04	5.78	19.28	10.53	14.25	6.74	11.45	12.12	1.42

Green indicates fund outperformed both benchmarks / Blue indicates fund performed between benchmarks / Red indicates fund underperformed both benchmarks

Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2014

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense Ratio
	8/26/14	3 Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	
Vanguard Target Retirement Inc	5.17	2.70	4.29	9.57	6.44	8.43	5.63	4.29	4.54	0.31
Avg Retirement Income	4.71	2.70	4.28	10.28	6.17	9.25	4.65	5.75	6.41	0.96
Vanguard Target Retirement 2010	5.63	2.96	4.65	11.58	7.44	10.38	-	5.97	6.78	0.31
Avg Target Date 2000-2010	5.00	2.98	4.52	11.43	6.54	9.97	5.10	6.46	7.41	0.93
Vanguard Target Retirement 2015	6.30	3.42	5.20	14.34	8.68	11.70	6.32	7.45	8.25	0.31
Avg Target Date 2011-2015	5.25	3.10	4.73	12.33	7.02	10.61	5.26	7.30	8.16	0.97
Vanguard Target Retirement 2020	6.75	3.69	5.53	16.30	9.57	12.71	-	8.60	9.43	0.31
Avg Target Date 2016-2020	5.56	3.35	4.93	13.83	7.87	11.49	5.62	8.20	9.03	1.01
Vanguard Target Retirement 2025	6.98	3.95	5.76	17.83	10.26	13.61	6.66	9.66	10.56	0.32
Avg Target Date 2021-2025	5.94	3.64	5.29	16.26	8.97	13.06	6.17	9.75	10.90	0.99
Vanguard Target Retirement 2030	7.20	4.16	5.93	19.31	10.93	14.46	-	10.72	11.67	0.32
Avg Target Date 2026-2030	6.13	3.84	5.36	17.31	9.35	13.32	6.11	10.51	11.45	1.05
Vanguard Target Retirement 2035	7.42	4.42	6.16	20.94	11.58	15.27	7.12	11.76	12.77	0.33
Avg Target Date 2031-2035	6.30	4.01	5.52	19.16	10.25	14.47	6.33	11.72	12.90	1.02
Vanguard Target Retirement 2040	7.59	4.58	6.28	21.98	12.09	15.62	-	12.19	13.02	0.33
Avg Target Date 2036-2040	6.47	4.17	5.63	19.54	10.29	14.37	6.36	11.98	12.90	1.07
Vanguard Target Retirement 2045	7.60	4.56	6.28	21.94	12.10	15.63	7.48	12.19	13.02	0.33
Avg Target Date 2041-2045	6.50	4.20	5.69	20.52	11.04	15.04	7.64	12.71	13.62	1.03
Vanguard Target Retirement 2050	7.59	4.57	6.27	21.95	12.10	15.62	-	12.18	13.01	0.33
Avg Target Date 2046-2050	6.67	4.30	5.76	20.33	10.66	14.69	6.78	12.46	13.31	1.08
Vanguard Target Retirement 2055	7.61	4.56	6.31	21.99	12.18	-	-	12.16	-	0.33
Avg Target Date 2051+	6.53	4.21	5.69	21.12	11.20	14.90	-	13.02	14.45	1.03

Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2014

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense Ratio
	8/26/14	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	
Allianz NFJ Dividend Value Instl	9.55	6.10	8.79	23.96	15.67	18.32	8.13	12.80	13.18	0.71
Yacktman Svc	6.16	3.96	4.76	14.73	13.83	18.22	10.53	9.08	10.85	0.76
S&P 500 Value	8.71	4.60	6.96	21.99	16.25	18.52	7.34	13.18	14.24	-
Avg Large Value	8.36	4.53	6.96	22.21	14.88	17.27	7.30	12.89	13.77	1.15
Vanguard Institutional Index I	9.63	5.19	7.03	24.37	16.38	18.64	7.63	12.26	13.40	0.19
Parnassus Core Equity Instl	9.00	7.47	8.38	27.15	18.40	18.39	10.48	10.50	12.12	0.73
S&P 500	9.66	5.23	7.14	24.61	16.58	18.83	7.78	12.26	13.40	-
Avg Large Blend	8.22	4.63	6.39	23.65	14.86	17.47	7.32	13.16	14.02	1.09
Vanguard Total Stock Mkt Idx Instl	9.04	4.82	6.91	24.99	16.30	19.25	8.27	12.86	13.96	0.19
Custom Vanguard Total Stk Mkt Index ⁽¹⁾	9.05	4.87	7.00	25.21	16.50	19.45	8.44	12.86	13.96	-
Avg Large Blend	8.22	4.63	6.39	23.65	14.86	17.47	7.32	13.16	14.02	1.09
Fidelity Advisor New Insights I	8.26	3.69	6.42	26.62	16.04	18.25	10.44	12.26	12.68	0.68
Amer Funds Growth of Amer R5	8.57	5.00	6.02	26.83	16.06	17.20	8.66	13.46	13.93	0.49
S&P 500 Growth	10.52	5.82	7.29	27.13	16.96	19.19	8.16	11.79	13.10	-
Avg Large Growth	7.45	4.18	4.68	26.22	14.42	17.64	7.77	14.30	15.03	1.22
JPMorgan Mid Cap Value Instl	9.03	4.83	8.17	23.88	17.96	22.11	10.60	12.20	13.28	0.76
Russell Mid-Cap Value	11.82	5.62	11.14	27.76	17.56	22.97	10.66	13.95	15.34	-
Avg Mid-Cap Value	8.15	4.67	7.79	25.44	15.33	20.46	9.01	15.02	16.00	1.26
Vanguard Mid Cap Index Instl	9.69	4.47	7.85	26.05	15.17	21.82	10.19	14.76	15.71	0.23
Custom Vanguard MC Index ⁽²⁾	9.72	4.53	7.97	26.32	15.40	22.05	10.34	14.74	15.70	-
Avg Mid-Cap Blend	6.84	3.90	6.47	24.74	14.15	19.76	8.73	15.53	16.26	1.24
Fidelity VIP Mid Cap Port Initial	6.14	3.61	5.11	27.80	13.34	18.30	11.29	14.67	14.54	0.64
Russell Mid-Cap Growth	8.52	4.37	6.51	26.04	14.54	21.16	9.83	15.23	15.85	-
Avg Mid-Cap Growth	5.10	2.66	3.97	23.98	12.59	18.98	8.83	15.80	16.24	1.34

(1) Reflects changes to fund's index over time. Wilshire 5000 Index through 4/23/05; MSCI US Broad Market Index through 6/03/13; and the CRSP US Total Market Index thereafter.

(2) Reflects changes to fund's index over time. S&P MidCap 400 Index through 5/14/03; MSCI US Mid Cap 450 Index through 1/29/13; and the CRSP US Mid Cap Index thereafter.

Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2014

Fund/Benchmark	(periods longer than 1 year are annualized)							Standard Deviation		Expense Ratio
	YTD 8/26/14	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	
Perkins Small Value I	3.96	3.04	5.20	21.31	11.47	16.28	9.54	13.60	13.89	0.71
Russell 2000 Value	2.19	2.38	4.20	22.54	14.65	19.88	8.24	16.29	18.08	-
Avg Small Value	3.53	2.91	4.69	23.58	14.50	20.13	8.79	16.47	17.87	1.36
Vanguard Small Cap Index Instl	6.17	3.73	6.40	26.33	16.04	22.18	10.09	16.41	17.77	0.23
Custom Vanguard SC Index ⁽¹⁾	6.18	3.77	6.49	26.54	16.17	22.28	10.14	16.40	17.76	-
Avg Small Blend	2.47	2.31	3.81	23.78	14.25	19.87	8.73	16.86	17.64	1.28
Russell 2000	1.79	2.05	3.19	23.64	14.57	20.21	8.70	16.98	18.23	-
Wanger USA	3.26	2.53	3.42	23.26	12.98	20.80	9.09	17.71	19.11	0.96
Russell 2000 Growth	1.43	1.72	2.22	24.73	14.49	20.50	9.04	17.94	18.75	-
Avg Small Growth	-0.35	0.57	0.87	22.40	12.73	19.88	8.72	17.57	18.09	1.40
Vanguard Total Intl Stock Index Sig	5.42	4.98	5.80	22.25	5.72	11.05	7.44	16.71	17.42	0.29
Custom Vanguard Intl Index ⁽²⁾	5.72	5.08	6.04	22.50	5.95	11.09	7.55	16.55	16.97	-
Avg Foreign Large Blend	2.25	3.71	3.79	20.83	6.62	11.27	6.83	16.41	17.06	1.23
Amer Funds EuroPac Gr R5	2.61	2.91	3.60	22.17	7.24	11.83	8.99	15.78	16.48	0.65
MSCI EAFE Net	2.99	4.09	4.78	23.57	8.10	11.77	6.93	16.34	17.05	-
Avg Foreign Large Blend	2.25	3.71	3.79	20.83	6.62	11.27	6.83	16.41	17.06	1.23
DFA Int'l Small Company I	4.27	2.52	6.81	30.99	9.50	15.32	9.36	16.30	17.03	0.69
MSCI EAFE Small Cap	3.22	2.08	5.50	29.08	9.84	15.21	8.73	16.29	17.37	-
Avg Foreign Small/Mid Value	3.60	3.14	6.15	26.82	8.53	14.35	8.37	16.62	18.08	1.45
Oppenheimer Developing Mkts Y	8.76	7.88	6.02	19.75	5.16	14.07	16.12	18.00	18.31	1.05
MSCI EM Net	10.59	6.60	6.14	14.31	-0.39	9.24	11.94	19.49	19.16	-
Avg Diversified Emerging Markets	8.93	6.61	5.83	14.21	0.13	9.11	11.16	19.13	19.02	1.59
ING Clarion Real Estate I	20.64	6.95	17.83	14.61	11.39	24.22	10.92	16.62	18.46	0.71
FTSE NAREIT Equity REITs	19.53	7.13	16.25	13.02	11.89	23.65	9.67	16.09	17.61	-
Avg Real Estate	19.06	6.88	16.57	13.14	10.89	22.56	8.91	15.99	17.64	1.32

(1) Reflects changes to fund's index over time. Russell 2000 Index through 5/14/03; MSCI US Small Cap 1750 Index through 1/29/13; and the CRSP US Small Cap Index thereafter.

(2) Reflects changes to fund's index over time. MSCI EAFE & EM Index through 12/15/10; MSCI ACWI ex US Index through 6/02/13; and the FTSE Global All Cap ex US Index thereafter.

Modern Portfolio Theory (MPT) Analytics

As of June 30, 2014

Fund/Benchmark	5 - Year					10 Year	
	Alpha	Beta	Tracking Error	Information Ratio	Upside Capture	Downside Capture	Batting Average
Allianz NFJ Dividend Value Instl	0.34	0.96	3.19	-0.16	97	95	53
Yacktman Svc	3.49	0.76	4.84	-0.13	85	67	52
Avg Large Value	-1.24	1.00	3.47	-0.49	97	103	48
Vanguard Institutional Index I	-0.02	1.00	0.02	-1.05	100	100	41
Vanguard Total Stock Idx Instl	-0.11	1.04	1.21	0.49	104	105	56
Parnassus Core Equity Instl	1.92	0.87	3.85	-0.10	91	82	53
Avg Large Blend	-1.53	1.02	2.73	-1.21	98	106	44
Fidelity Advisor New Insights I	1.32	0.90	4.37	-0.13	92	84	58
Amer Funds Growth of Amer R5	-1.36	1.01	3.44	-0.44	96	102	53
Avg Large Growth	-1.94	1.06	4.79	-0.30	100	109	50
JPMorgan Mid Cap Value Instl	3.55	0.96	3.57	0.92	104	87	55
Avg Mid-Cap Value	-0.63	1.13	5.42	0.29	112	117	54
Vanguard Mid Cap Index Instl	0.72	1.13	4.70	0.68	115	114	57
Avg Mid-Cap Blend	-1.18	1.13	6.37	0.13	111	120	51
Fidelity VIP Mid Cap Port Initial	-0.17	0.99	5.87	-0.09	99	101	55
Avg Mid-Cap Growth	-1.38	1.11	6.85	0.03	106	114	53

Reported modern portfolio theory (MPT) statistics are calculated with respect to the S&P 500 Index for domestic equity funds. Statistics are calculated relative to the MSCI EAFE Index for international equity funds.

Modern Portfolio Theory (MPT) Analytics

As of June 30, 2014

	5 - Year					10 Year	
	Alpha	Beta	Tracking Error	Information Ratio	Upside Capture	Downside Capture	Batting Average
Perkins Small Value I	-1.31	0.96	5.44	-0.47	93	102	53
Avg Small Value	-2.13	1.22	7.99	0.15	118	133	51
Vanguard Small Cap Index Instl	-0.72	1.24	7.07	0.50	124	132	53
Avg Small Blend	-2.20	1.20	7.67	0.13	116	131	51
Wanger USA	-2.93	1.30	8.77	0.22	124	144	53
Avg Small Growth	-1.72	1.18	9.05	0.12	114	125	53
Vanguard Total Intl Stock Index Sig	-0.25	1.02	2.04	-0.03	103	105	44
Amer Funds EuroPac Gr R5	1.14	0.96	2.81	0.30	98	93	48
Avg Foreign Large Blend	0.36	0.98	3.87	0.04	100	100	46
DFA Int'l Small Company I	4.31	0.97	4.72	0.93	103	84	56
Avg Foreign Small/Mid Value	2.88	1.02	5.59	0.61	105	91	54
Oppenheimer Developing Mkts Y	2.76	1.01	6.60	0.45	101	87	67
Avg Diversified Emerging Markets	-1.79	1.03	7.89	-0.24	93	99	56

Reported modern portfolio theory (MPT) statistics are calculated with respect to the S&P 500 Index for domestic equity funds. Statistics are calculated relative to the MSCI EAFE Index for international equity funds.

Bond Funds and Lifestyle Portfolios Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
PIMCO Total Return Instl	-2.09	10.17	3.99	8.83	13.83	4.82	9.07	3.99	2.89	5.14
BarCap US Agg Bond	-2.02	4.21	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34
Avg Intermediate Bond	-1.42	7.01	5.86	7.72	13.97	-4.70	4.70	4.15	1.80	3.91
BlackRock Inflation Prot Bond I	-8.11	6.94	11.88	6.23	10.42	0.42	12.19	1.11	3.79	-
BarCap US Treasury US TIPS	-8.61	6.98	13.56	6.31	11.41	-2.35	11.64	0.41	2.84	8.46
Avg Inflation-Protected Bond	-7.85	6.45	10.93	5.94	10.88	-4.08	9.86	0.09	2.09	7.48
Templeton Global Bond VIP CI 1	1.89	15.31	-0.60	14.71	18.98	6.46	11.27	13.14	-2.91	15.09
Citi World Government Bond Idx	-4.00	1.65	6.35	5.17	2.55	10.89	10.95	6.12	-6.88	10.35
Avg World Bond	-2.62	8.09	3.39	6.35	13.12	-1.57	7.28	5.42	-3.33	8.98
Conservative Lifestyle Portfolio	9.23	8.09	2.11	7.32	13.64	-11.36	6.72			
Avg Conservative Allocation	7.23	9.40	1.70	10.03	20.77	-18.61	4.53	8.16	2.97	5.46
Moderate Lifestyle Portfolio	17.69	12.34	-1.10	11.70	23.14	-23.98	8.89			
Avg Moderate Allocation	16.48	11.72	-0.11	11.83	24.13	-28.00	5.99	11.29	5.13	8.86
Aggressive Lifestyle Portfolio	25.60	16.37	-4.08	15.97	32.07	-34.17	10.25			
Avg Aggressive Allocation	21.31	13.42	-3.80	13.49	29.37	-34.34	7.43	13.07	7.35	10.93

Green indicates fund outperformed both benchmarks / Blue indicates fund performed between benchmarks / Red indicates fund underperformed both benchmarks

Target Date Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Vanguard Target Retirement Inc	5.69	8.04	5.07	9.39	14.28	-10.93	8.17	6.38	3.33	6.82
Avg Retirement Income	7.36	9.01	1.60	8.94	18.36	-18.06	4.46	7.34	3.30	6.46
Vanguard Target Retirement 2010	8.91	9.94	3.20	11.43	19.32	-20.67	7.70	-	-	-
Avg Target Date 2000-2010	8.30	9.61	0.91	10.68	22.42	-22.46	5.22	8.58	3.68	6.82
Vanguard Target Retirement 2015	12.80	11.18	1.54	12.47	21.30	-24.06	7.55	11.42	4.94	9.04
Avg Target Date 2011-2015	9.65	10.65	-0.27	11.50	23.55	-27.76	5.84	11.13	4.64	7.39
Vanguard Target Retirement 2020	15.65	12.16	0.43	13.12	23.10	-27.04	7.52	-	-	-
Avg Target Date 2016-2020	11.57	11.68	-0.22	12.27	24.25	-29.46	6.02	11.95	5.80	9.61
Vanguard Target Retirement 2025	17.94	13.10	-0.54	13.84	24.81	-30.05	7.59	13.24	5.45	10.11
Avg Target Date 2021-2025	15.30	13.03	-2.06	13.29	28.32	-34.15	6.52	14.16	6.59	8.96
Vanguard Target Retirement 2030	20.28	14.05	-1.44	14.43	26.72	-32.91	7.49	-	-	-
Avg Target Date 2026-2030	16.65	13.59	-2.26	13.47	28.87	-36.04	6.50	13.60	6.81	10.95
Vanguard Target Retirement 2035	22.61	14.97	-2.41	15.14	28.17	-34.66	7.49	15.24	6.30	11.95
Avg Target Date 2031-2035	20.00	14.64	-3.51	14.28	30.06	-37.04	7.02	14.55	7.35	9.94
Vanguard Target Retirement 2040	24.16	15.36	-2.71	15.17	28.32	-34.53	7.48	-	-	-
Avg Target Date 2036-2040	19.97	14.64	-3.49	14.37	30.90	-37.94	6.21	14.67	7.41	11.71
Vanguard Target Retirement 2045	24.16	15.38	-2.68	15.19	28.15	-34.56	7.47	15.98	6.95	12.89
Avg Target Date 2041-2045	22.00	15.31	-4.10	14.60	30.88	-38.11	6.89	15.95	7.65	12.89
Vanguard Target Retirement 2050	24.13	15.39	-2.71	15.20	28.31	-34.62	7.49	-	-	-
Avg Target Date 2046-2050	21.02	15.07	-3.82	14.53	32.02	-38.67	5.91	15.51	8.76	12.60
Vanguard Target Retirement 2055	24.12	15.39	-2.53	-	-	-	-	-	-	-
Avg Target Date 2050+	23.14	15.52	-4.13	14.45	32.20	-38.86	5.94	15.51	8.76	12.60

Large and Mid Cap Stock Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Allianz NFJ Dividend Value Instl	29.21	14.31	3.44	13.57	13.32	-36.06	4.64	24.64	11.86	14.45
Yacktman Svc	27.74	11.47	7.30	12.64	59.31	-26.05	3.39	15.95	-1.30	9.93
S&P 500 Value	31.99	17.68	-0.48	15.10	21.18	-39.22	1.99	20.80	5.82	15.71
Avg Large Value	31.21	14.57	-0.75	13.66	24.13	-37.09	1.42	18.15	5.95	12.97
Vanguard Institutional Index I	32.12	15.78	1.92	15.05	26.63	-36.95	5.47	15.78	4.91	10.86
Parnassus Core Equity Instl	34.01	15.64	3.38	9.10	28.96	-22.74	14.37	14.94	2.62	9.30
S&P 500	32.39	16.00	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88
Avg Large Blend	31.50	14.96	-1.27	14.01	28.17	-37.79	6.16	14.17	5.88	10.02
Vanguard Total Stock Mkt Idx Instl	33.27	16.22	0.92	17.23	28.83	-36.94	5.56	15.69	6.12	12.60
Custom Vanguard Total Stk Mkt Index	33.54	16.44	1.08	17.28	28.76	-37.04	5.59	15.72	6.37	12.48
Avg Large Blend	31.50	14.96	-1.27	14.01	28.17	-37.79	6.16	14.17	5.88	10.02
Fidelity Advisor New Insights I	32.73	16.11	-0.73	16.34	29.37	-37.75	20.57	11.40	19.43	19.27
Amer Funds Growth of Amer R5	34.07	20.80	-4.69	12.63	34.91	-38.88	11.26	11.24	14.53	12.24
S&P 500 Growth	32.75	14.61	4.65	15.05	31.57	-34.92	9.13	11.01	4.00	6.13
Avg Large Growth	33.92	15.34	-2.46	15.53	35.68	-40.67	13.35	7.05	6.71	7.81
JPMorgan Mid Cap Value Instl	31.99	20.48	2.42	23.34	26.75	-32.90	2.83	17.33	9.41	20.99
Russell Mid-Cap Value	33.46	18.51	-1.38	24.75	34.21	-38.44	-1.42	20.22	12.65	23.71
Avg Mid-Cap Value	35.14	16.60	-3.96	21.92	35.41	-36.77	0.83	15.87	8.82	17.85
Vanguard Mid Cap Index Instl	34.94	15.81	-1.96	25.67	40.51	-41.76	6.22	13.78	14.09	20.45
Custom Vanguard MC Index	35.21	16.04	-1.91	25.69	40.49	-41.80	6.19	13.75	13.94	20.52
Avg Mid-Cap Blend	34.10	16.15	-3.81	22.52	37.39	-39.18	4.85	14.03	9.25	16.30
Fidelity VIP Mid Cap Port Initial	36.23	14.83	-10.61	28.83	40.09	-39.44	15.63	12.70	18.30	24.92
Russell Mid-Cap Growth	35.74	15.81	-1.65	26.38	46.29	-44.32	11.43	10.66	12.10	15.48
Avg Mid-Cap Growth	34.93	14.07	-3.96	24.61	39.11	-43.77	15.09	9.00	9.84	13.23

Small Cap and International Stock Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Perkins Small Value I	29.82	9.13	-3.28	18.13	36.99	-21.63	3.21	12.57	9.14	13.95
Russell 2000 Value	34.52	18.05	-5.50	24.50	20.58	-28.92	-9.78	23.48	4.71	22.25
Avg Small Value	36.22	16.00	-4.45	26.17	31.32	-32.24	-6.08	16.27	6.40	21.14
Vanguard Small Cap Index Instl	37.56	18.06	-2.65	27.95	36.40	-35.98	1.29	15.82	7.56	20.06
Custom Vanguard SC Index	37.77	18.20	-2.75	27.82	36.15	-36.20	1.20	15.77	7.48	20.01
Avg Small Blend	37.39	15.46	-4.07	25.61	31.80	-36.56	-1.10	15.03	6.75	18.94
Russell 2000	38.82	16.35	-4.18	26.85	27.17	-33.79	-1.57	18.37	4.55	18.33
Wanger USA	33.75	20.02	-3.49	23.35	42.23	-39.68	5.39	7.87	11.25	18.33
Russell 2000 Growth	43.30	14.59	-2.91	29.09	34.47	-38.54	7.05	13.35	4.15	14.31
Avg Small Growth	40.91	13.15	-3.55	26.98	35.46	-41.55	7.59	10.81	6.02	12.41
Vanguard Total Intl Stock Index Sig	14.94	18.01	-14.52	11.06	36.73	-44.10	15.52	26.64	15.57	20.84
Custom Vanguard Intl Index	15.76	17.04	-14.31	10.70	40.44	-45.52	15.85	27.25	15.92	20.82
Avg Foreign Large Blend	19.44	18.29	-13.97	10.24	31.24	-43.99	12.71	24.77	14.72	17.39
Amer Funds EuroPac Gr R5	20.41	19.45	-13.42	9.72	39.55	-40.38	19.22	22.17	21.39	19.98
MSCI EAFE Net	22.78	17.32	-12.14	7.75	31.78	-43.38	11.17	26.34	13.54	20.25
Avg Foreign Large Blend	19.44	18.29	-13.97	10.24	31.24	-43.99	12.71	24.77	14.72	17.39
DFA Int'l Small Company I	27.23	18.65	-15.49	23.91	41.96	-43.87	5.66	24.88	21.96	30.92
MSCI EAFE Small Cap	29.30	20.00	-15.94	22.04	46.78	-47.01	1.45	19.31	26.19	30.78
Avg Foreign Small/Mid Value	25.71	21.38	-15.99	21.00	44.06	-47.29	5.01	26.48	18.16	23.91
Oppenheimer Developing Mkts Y	8.68	21.29	-17.85	27.39	82.10	-47.84	34.30	25.70	41.37	33.00
MSCI EM Net	-2.60	18.22	-18.42	18.88	78.51	-53.33	39.42	32.14	34.00	25.55
Avg Diversified Emerging Markets	-0.14	18.15	-19.86	19.26	73.81	-54.44	36.68	32.06	31.54	23.54
ING Clarion Real Estate I	2.27	15.85	9.76	28.29	36.29	-38.36	-17.52	37.95	17.11	38.13
FTSE NAREIT Equity REITs	2.86	19.70	8.28	27.95	27.99	-37.73	-15.69	35.06	12.16	31.58
Avg Real Estate	1.55	17.60	7.51	27.08	31.26	-39.55	-14.66	33.58	11.51	32.02

Peer Group Rankings

As of June 30, 2014

(yellow indicates fund performed above median in peer group)
(1=Best Ranking; 100 = Worst Ranking)

Fund Name	Morningstar Category	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
PIMCO Total Return Instl	Intermediate-Term Bond	23	71	50	41	39	6
BlackRock Inflation Prot Bond I	Inflation-Protected Bond	11	19	22	11	22	5
Templeton Global Bond VIP CI 1	Insurance Fund World Bond	55	85	55	26	11	1
Vanguard Target Retirement Inc	Retirement Income	57	52	55	39	61	5
Vanguard Target Retirement 2010	Target Date 2000-2010	53	39	61	28	45	
Vanguard Target Retirement 2015	Target Date 2011-2015	23	21	18	9	24	8
Vanguard Target Retirement 2020	Target Date 2016-2020	16	9	15	7	22	
Vanguard Target Retirement 2025	Target Date 2021-2025	20	12	27	10	29	13
Vanguard Target Retirement 2030	Target Date 2026-2030	21	12	17	10	19	
Vanguard Target Retirement 2035	Target Date 2031-2035	15	7	16	12	17	13
Vanguard Target Retirement 2040	Target Date 2036-2040	16	10	11	9	13	
Vanguard Target Retirement 2045	Target Date 2041-2045	21	9	15	11	13	1
Vanguard Target Retirement 2050	Target Date 2046-2050	20	11	14	12	13	
Vanguard Target Retirement 2055	Target Date 2051+	15	9	18	14		

Peer Group Rankings

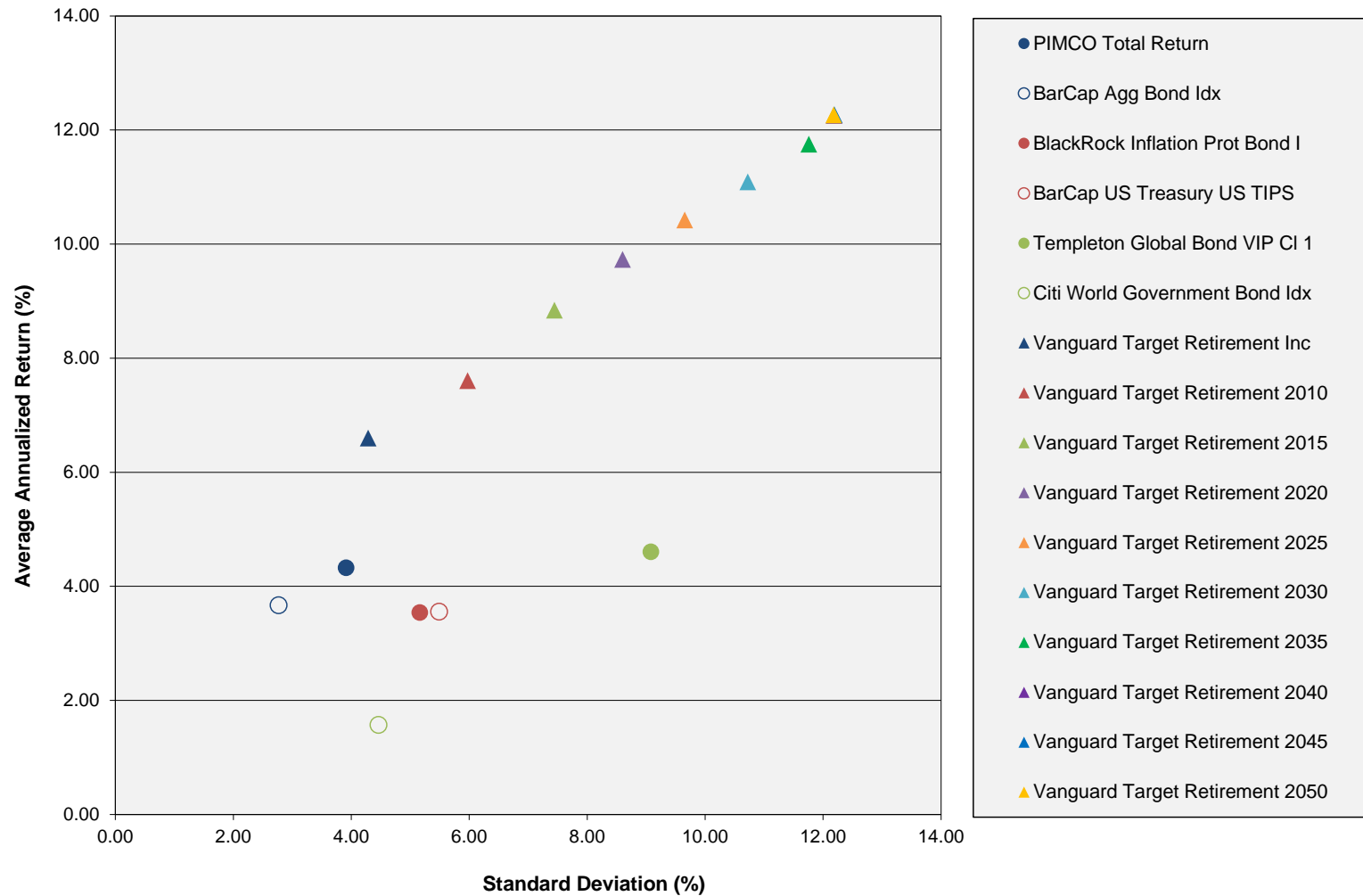
As of June 30, 2014

(yellow indicates fund performed above median in peer group)
(1=Best Ranking; 100 = Worst Ranking)

Fund Name	Morningstar Category	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Allianz NFJ Dividend Value Instl	Large Value	5	9	24	38	27	26
Yacktman Svc	Large Blend	78	88	98	71	34	1
Vanguard Institutional Index I	Large Blend	20	27	39	20	19	30
Vanguard Total Stock Idx Instl	Large Blend	46	32	30	22	11	16
Parnassus Core Equity Instl	Large Blend	1	8	12	4	29	1
Fidelity Advisor New Insights I	Large Growth	70	20	44	23	37	4
Amer Funds Growth of Amer R5	Large Growth	26	25	40	21	56	22
JPMorgan Mid Cap Value Instl	Mid-Cap Value	45	45	68	8	19	9
Vanguard Mid Cap Index Instl	Mid-Cap Blend	33	22	31	34	16	13
Fidelity VIP Mid Cap Port Initial	Insurance Mid Growth	25	35	18	37	65	6
Perkins Small Value I	Small Value	42	39	82	92	94	31
Vanguard Small Cap Index Instl	Small Blend	15	11	18	23	10	16
Wanger USA	Insurance Small Growth	20	19	42	49	33	41
Vanguard Total Intl Stock Index Sig	Foreign Large Blend	13	15	30	68	57	31
Amer Funds EuroPac Gr R5	Foreign Large Blend	75	53	31	36	32	12
DFA Int'l Small Company I	Foreign Sm/Mid Blend	35	31	8	49	47	32
Oppenheimer Developing Mkts Y	Diversified Emerging Mkts	17	45	12	7	2	1
ING Clarion Real Estate I	Real Estate	41	15	18	23	7	8

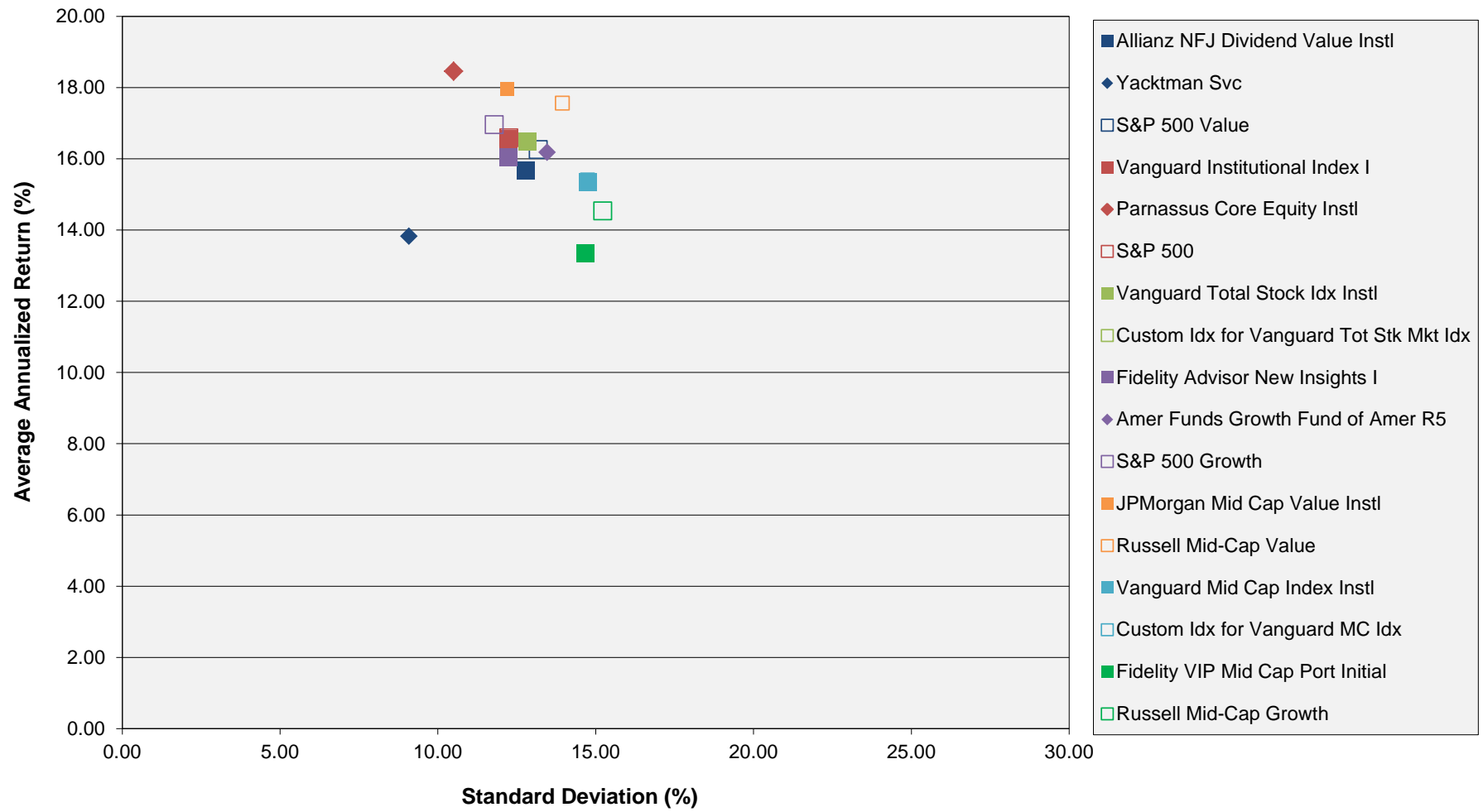
Three Year Risk/Return Profile Bond and Balanced Funds

As of June 30, 2014



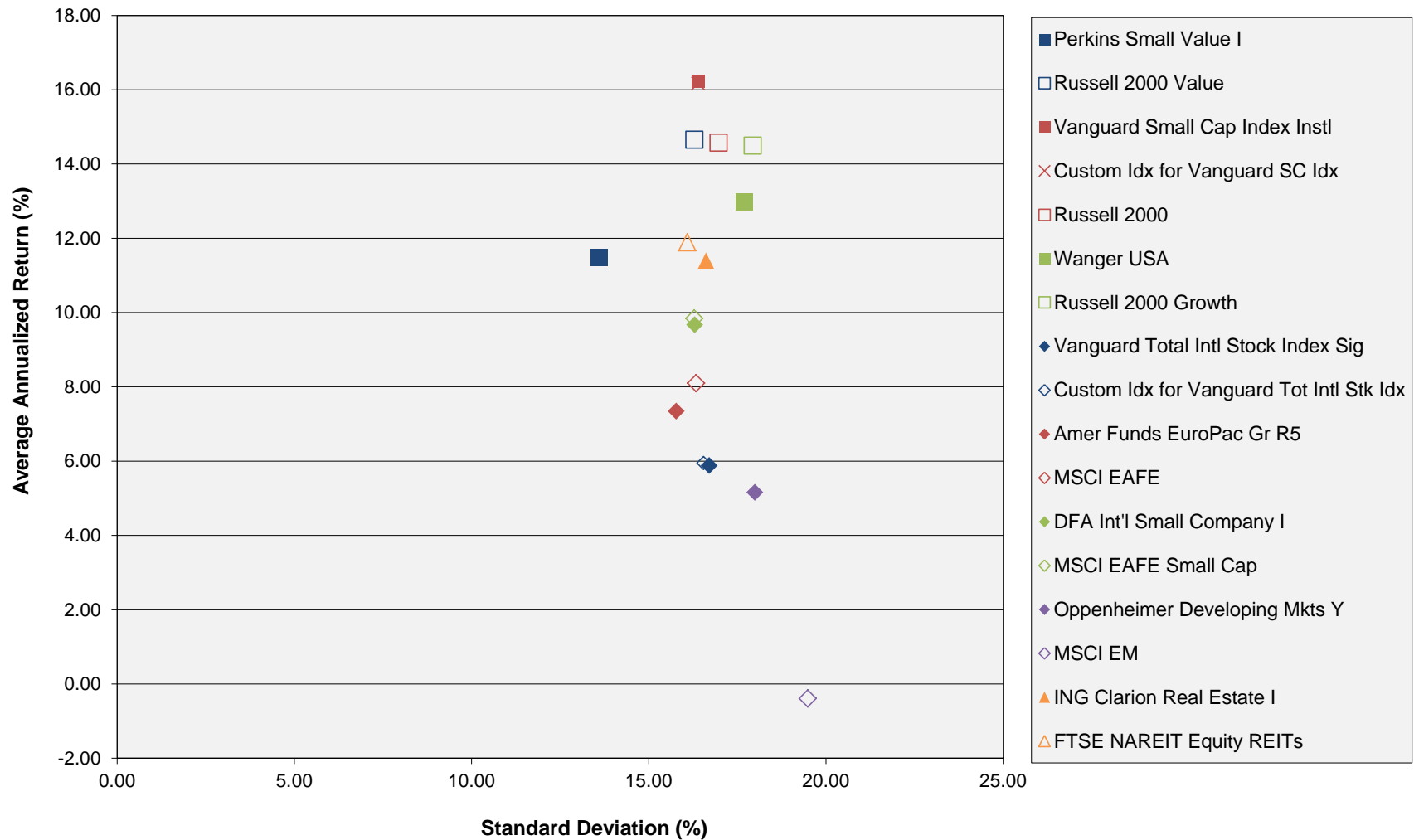
Three Year Risk/Return Profile Large and Mid Cap Equity Funds

As of June 30, 2014



Three Year Risk/Return Profile Small Cap and International Equity Funds

As of June 30, 2014



Stable Value Performance as of June 30, 2014 (market value, gross of fees)

	Quarter	YTD	1 Year	Annualized			Fees
				3 Years	5 years	Inception	
ING Stable Value (market, gross)	1.94	3.64	5.13	4.64	6.58	4.33	0.47
BarCap US Agg Interm Bond Index*	1.62	2.85	3.48	3.57	4.79	5.17	-

*The benchmark from inception through June 30, 2012, was the Barclay's Capital US Aggregate. Effective July 1, 2012, the benchmark was changed to the Barclays Capital Intermediate US Aggregate.

Stable Value Portfolio Characteristics as of June 30, 2014

	Yield-to Maturity (%)	Effective Duration (years)	Credit Quality Distribution (%)				
			Investment Grade				High Yield Below BBB
			AAA	AA	A	BBB	
ING Stable Value	2.33	3.65	66.3	1.4	8.1	16.4	7.8
BarCap US Agg Interm Bond Index*	1.71	3.92	77.8	3.6	9.3	9.3	0.0

*The benchmark from inception through June 30, 2012, was the Barclay's Capital US Aggregate. Effective July 1, 2012, the benchmark was changed to the Barclays Capital Intermediate US Aggregate.

History of Market to Book Value Ratios

End of Month	Dec-08	Jun-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13	Jun-14	Jul-14
Market-to-Book Value Ratio (%)	84.9	85.8	93.8	93.9	95.3	97.9	99.7	101.4	98.5	98.6	100.9	100.4

Fixed Income Portfolio Characteristics

As of June 30, 2014

	Average Maturity (years)	Average Duration (years)	Average Credit Quality	Total Number of Holdings
PIMCO Total Return	8.4	5.7	A	5,964
BarCap Aggregate	-	5.6	-	8,818
Avg Intermediate Term Bond	6.7	4.9	A	766
BlackRock Inflation Prot Bond I	10.5	7.1	AA	70
BarCap US Treasury US TIPS	-	7.6	A	39
Templeton Global Bond VIP CI 1	2.4	1.6	BBB	210
Avg World Bond	7.8	5.0	BBB	627

	Investment Grade				High Yield Bonds			Other
	AAA	AA	A	BBB	BB	B	Below B	NR/NA
PIMCO Total Return	33	10	15	30	5	3	4	0
BarCap Aggregate	73	4	12	12	0	0	0	0
Avg Intermediate Term Bond	48	13	17	17	2	1	0	1
BlackRock Inflation Prot Bond I	94	2	0	3	1	0	0	0
BarCap US Treasury US TIPS	0	98	0	0	0	0	0	2
Templeton Global Bond VIP CI 1	13	18	32	24	6	3	4	0
Avg World Bond	28	23	12	32	3	1	0	1

Custom Portfolio Asset Allocation

Conservative Custom Lifestyle Portfolio

ING Stable Value	50%
PIMCO Total Return	20%
Vanguard Institutional Index	10%
Yacktman	5%
AF Growth Fund of America	5%
Vanguard Small Cap Index	5%
AF Euro Pacific Growth	5%

Total Fixed/Stable Value **70%**
Total Equity **30%**

Large Cap Domestic Equity	20%
Mid Cap Domestic Equity	0%
Small Cap Domestic Equity	5%
International Equity	5%

Moderate Custom Lifestyle Portfolio

ING Stable Value	25%
PIMCO Total Return	15%
AF Euro Pacific Growth	15%
Yacktman	10%
AF Growth Fund of America	10%
Fidelity VIP Mid Cap Portfolio	10%
Vanguard Small Cap Index	10%
Vanguard Institutional Index	5%

Total Fixed/Stable Value **40%**
Total Equity **60%**

Large Cap Domestic Equity	25%
Mid Cap Domestic Equity	10%
Small Cap Domestic Equity	10%
International Equity	15%

Aggressive Custom Lifestyle Portfolio

AF Euro Pacific Growth	20%
Fidelity VIP Mid Cap Portfolio	20%
AF Growth Fund of America	15%
PIMCO Total Return	15%
Vanguard Small Cap Index	15%
Yacktman	10%
Vanguard Institutional Index	5%

Total Fixed/Stable Value **15%**
Total Equity **85%**

Large Cap Domestic Equity	30%
Mid Cap Domestic Equity	20%
Small Cap Domestic Equity	15%
International Equity	20%

Equity Portfolio Style Characteristics

As of June 30, 2014

Allianz NFJ Div
Value Instl

73	19	0
8	0	0
0	0	0

Yacktman Svc

14	56	17
2	4	6
1	0	0

Vanguard
Institutional Index I

29	32	27
5	4	3
0	0	0

Vanguard Total
Stock Idx Instl

24	26	23
6	6	6
3	3	3

Fidelity Advisor
New Insights I

15	18	48
1	3	13
0	0	1

Amer Funds Gr of
Amer R5

9	23	52
3	3	8
0	0	0

Parnassus Core
Equity Instl

11	27	32
10	14	2
1	3	0

JPMorgan Mid
Cap Value Instl

11	16	10
26	25	10
2	2	0

Fidelity VIP Mid
Cap Port Initial

7	11	12
11	21	22
3	8	6

Vanguard Mid Cap
Index I

2	4	12
27	29	26
0	0	0

Perkins Small
Value I

0	3	0
15	12	13
27	21	9

Wanger USA

0	0	0
2	12	26
12	16	32

Vanguard Small
Cap Index I

0	0	0
13	13	17
18	19	18

Amer Funds
EuroPac Gr R5

21	25	49
1	1	2
0	0	0

DFA Int'l Small
Company I

0	1	1
22	20	18
15	13	10

Oppenheimer Dev
Mkt Y

10	34	45
3	2	5
0	0	0

Vanguard Total Intl
Stock Idx Sig

27	28	25
6	6	5
1	1	1

Style Legend

Large Value	Large Core	Large Growth	50% <	54
Mid Value	Mid Core	Mid Growth	25% <	27
Small Value	Small Core	Small Growth	10% <	19

Equity Portfolio Characteristics

As of June 30, 2014

Fund Name	Geo Avg Market Cap \$MM	P/E Ratio	P/B Ratio	Total Number of Holdings	% Assets in Top 10 Holdings	Turnover Ratio	% Non- US Equity	% Emerging Mkts Equity
Allianz NFJ Dividend Value Instl	\$72,547	14.4	1.8	45	36	32	12	0
Yacktman Svc	\$78,823	18.6	3.4	45	47	17	1	1
S&P 500 Value	\$70,120	16.2	1.9	338	28			
Avg Large Value	\$85,113	16.2	2.1	-	37	55	7	0
Vanguard Institutional Index I	\$68,273	18.6	2.7	512	17	5	2	0
Parnassus Core Equity Instl	\$29,250	23.3	3.4	42	34	17	10	0
Vanguard Total Stock Mkt Idx Instl	\$37,947	19.1	2.6	3,752	14	4	2	0
S&P 500	\$67,872	18.2	2.6	501	18			
CRSP US Total Market	\$38,068	18.5	2.6	3,710	14			
Avg Large Blend	\$100,340	18.2	2.7	-	46	62	5	0
Fidelity Advisor New Insights I	\$44,540	21.4	3.0	269	19	79	12	0
Amer Funds Growth of Amer R5	\$48,459	22.0	3.4	459	21	27	10	1
S&P 500 Growth	\$65,855	20.5	3.9	341	23			
Avg Large Growth	\$71,238	23.4	4.2	-	38	72	7	1
JPMorgan Mid Cap Value Instl	\$10,764	20.4	2.2	112	15	23	0	0
Russell Mid-Cap Value	\$9,103	18.0	1.7	567	7			
Avg Mid-Cap Value	\$9,139	16.6	1.7	-	17	69	6	0
Vanguard Mid Cap Index Instl	\$10,507	21.3	2.7	385	6	32	3	0
CRSP US Mid Cap	\$10,274	20.6	2.6	374	6			
Avg Mid-Cap Blend	\$8,650	19.5	2.4	-	19	67	4	0
Fidelity VIP Mid Cap Port Initial	\$8,896	20.3	2.8	292	9	132	8	0
Russell Mid-Cap Growth	\$10,589	23.9	4.6	547	7			
Avg Mid-Cap Growth	\$8,568	26.0	3.9	-	25	74	7	1

Equity Portfolio Characteristics

As of June 30, 2014

Fund Name	Geo Avg Market Cap \$MM	P/E Ratio	P/B Ratio	Total Number of Holdings	% Assets in Top 10 Holdings	Turnover Ratio	% Non- US Equity	% Emerging Mkts Equity
Perkins Small Value I	\$2,920	22.2	2.3	88	26	60	2	0
Russell 2000 Value	\$1,240	17.5	1.4	1,321	4			
Avg Small Value	\$2,540	18.7	1.7	-	22	80	2	0
Vanguard Small Cap Index Instl	\$2,890	21.7	2.4	1,471	3	29	2	0
CRSP US Small Cap	\$2,764	20.5	2.2	1,454	3			
Russell 2000	\$1,366	20.4	2.1	1,972	3			
Avg Small Blend	\$2,772	21.3	2.2	-	22	67	2	0
Wanger USA	\$2,726	23.2	2.9	151	29	15	2	0
Russell 2000 Growth	\$1,506	24.8	3.8	1,162	5			
Avg Small Growth	\$2,791	26.9	3.8	-	24	81	4	1
Vanguard Total Intl Stock Index Sig	\$22,573	15.5	1.6	5,644	8	5	97	14
FTSE Global All Cap ex US	\$22,138	15.4	1.6	5,492	8			
Avg Foreign Large Blend	\$39,048	16.2	1.8	-	16	69	90	6
Amer Funds EuroPac Gr R5	\$40,098	17.3	2.0	414	21	28	83	16
MSCI EAFE Net	\$37,783	16.2	1.6	900	13			
Avg Foreign Large Blend	\$39,048	16.2	1.8	-	16	69	90	6
DFA Int'l Small Company I	\$1,514	15.1	1.3	4,221	3	0	91	0
MSCI EAFE Small Cap	\$1,774	15.5	1.4	2,177	3			
Avg Foreign Small/Mid Value	\$2,239	15.1	1.3	-	13	58	95	5
Oppenheimer Developing Mkts Y	\$19,211	19.7	2.2	125	24	29	92	73
MSCI EM Net	\$20,545	12.8	1.6	834	16			
Avg Diversified Emerging Markets	\$19,892	12.5	1.7	-	21	76	88	68
ING Clarion Real Estate I	\$10,966	43.8	2.4	54	45	52	0	0
Avg Real Estate	\$12,259	35.0	2.6	-	50	71	4	0

Equity Portfolio Sector Allocations

As of June 30, 2014

(yellow shading indicates largest sector allocation)

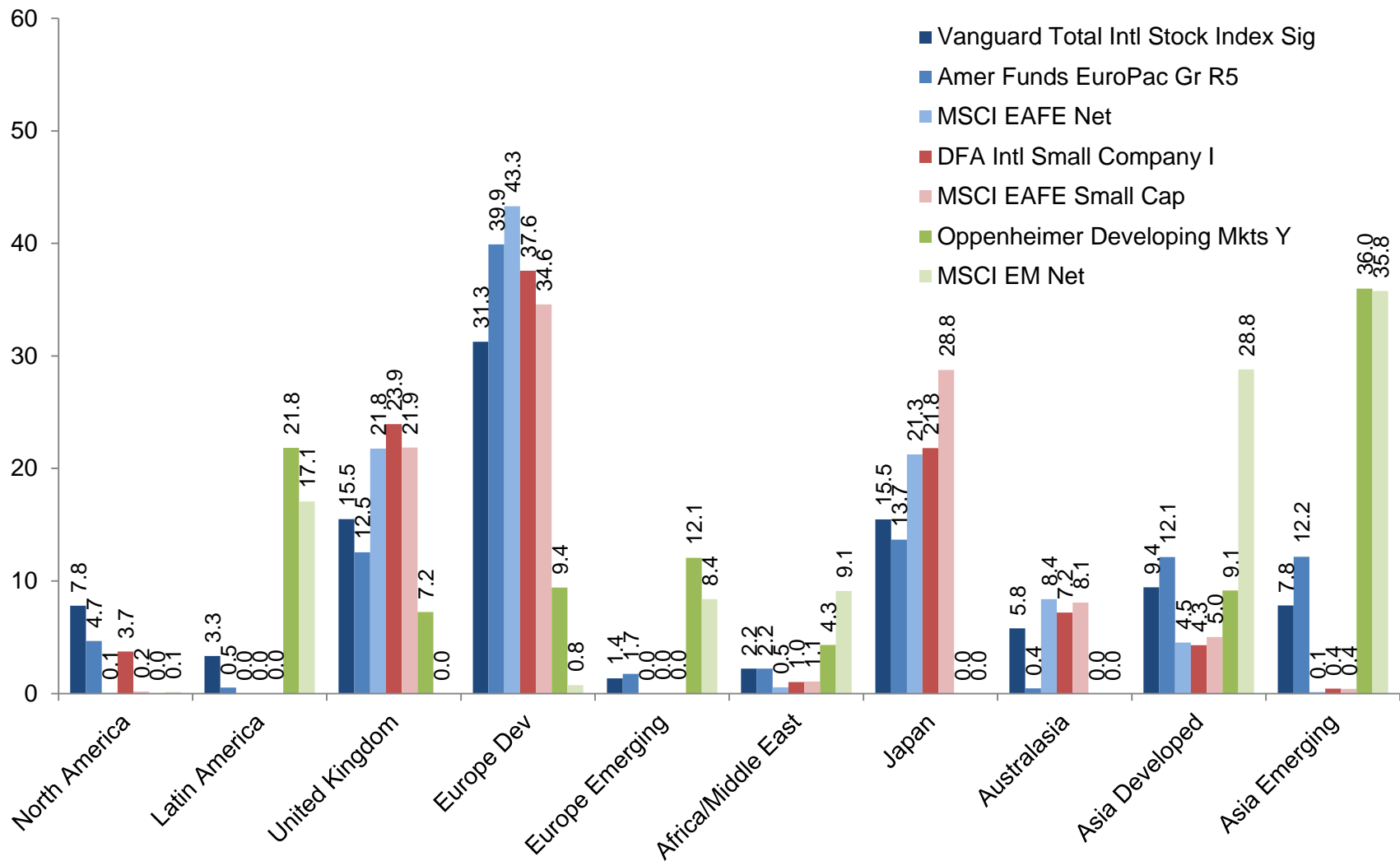
	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecom Services	Utilities
Allianz NFJ Dividend Value Instl	16.6	6.2	7.7	4.1	3.9	14.1	25.8	13.4	6.1	2.1
Yacktman Svc	5.0	1.0	2.5	16.2	34.9	14.0	6.7	19.7	0.0	0.0
S&P 500 Value	15.6	3.5	8.9	7.0	10.7	10.5	23.4	10.4	3.9	6.0
Avg Large Value	12.7	2.9	10.2	9.7	9.5	13.1	22.4	11.3	3.4	4.9
Vanguard Institutional Index I	10.8	3.5	10.5	11.8	9.5	13.3	16.1	18.8	2.4	3.2
Parnassus Core Equity Instl	6.8	4.5	20.3	5.0	17.3	14.3	2.1	23.6	0.0	6.0
Vanguard Total Stock Mkt Idx Instl	9.9	3.9	11.5	12.3	8.2	13.0	17.4	18.4	2.2	3.2
S&P 500	10.6	3.5	10.2	11.8	9.3	13.5	16.1	19.4	2.5	3.0
CRSP US Total Market	9.7	3.9	11.2	12.3	8.1	13.2	17.4	18.8	2.3	3.0
Avg Large Blend	10.2	4.0	12.2	12.8	9.8	13.5	17.2	15.8	2.0	2.4
Fidelity Advisor New Insights I	11.1	4.3	8.3	13.9	7.4	14.0	19.7	19.3	1.9	0.0
Amer Funds Growth of Amer R5	12.3	2.1	9.0	20.6	4.3	18.4	9.1	22.8	1.1	0.3
S&P 500 Growth	6.2	3.5	11.4	16.2	8.1	16.2	9.4	27.6	1.2	0.2
Avg Large Growth	6.2	3.5	11.2	20.3	7.1	16.0	6.7	27.8	0.7	0.4
JPMorgan Mid Cap Value Instl	4.9	8.0	10.0	17.1	5.3	5.9	29.4	10.0	0.0	9.4
Russell Mid-Cap Value	5.9	7.1	9.6	9.9	3.3	9.2	32.3	10.8	0.3	11.6
Avg Mid-Cap Value	8.8	6.4	14.0	13.0	3.7	8.4	26.7	11.4	0.8	7.0
Vanguard Mid Cap Index Instl	7.9	6.4	13.9	18.1	5.9	10.0	16.9	14.4	1.0	5.5
CRSP US Mid Cap	7.6	6.5	13.7	18.4	5.7	10.3	17.0	14.4	1.1	5.3
Avg Mid-Cap Blend	8.4	6.8	16.2	16.7	4.4	10.7	18.8	14.1	0.7	3.2
Fidelity VIP Mid Cap Port Initial	8.9	5.1	20.1	14.2	3.2	11.3	10.2	26.3	0.6	0.2
Russell Mid-Cap Growth	7.1	4.8	16.6	23.4	7.5	12.6	8.9	17.8	1.1	0.2
Avg Mid-Cap Growth	6.0	4.5	17.7	21.1	4.4	14.3	12.2	17.9	1.0	0.9

Equity Portfolio Sector Allocations
As of June 30, 2014
(yellow shading indicates largest sector allocation)

	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecom Services	Utilities
Perkins Small Value I	7.9	6.3	17.7	3.7	6.7	13.3	30.2	11.9	0.0	2.3
Russell 2000 Value	7.1	4.7	13.1	11.3	2.6	4.9	39.2	9.9	0.8	6.4
Avg Small Value	9.6	8.2	18.2	12.1	2.4	5.9	27.8	11.8	0.4	3.6
Vanguard Small Cap Index Instl	5.8	6.2	16.0	14.0	3.1	10.8	23.1	16.7	0.6	3.8
CRSP US Small Cap	5.5	6.2	15.7	14.2	3.1	11.1	23.4	16.5	0.6	3.7
Russell 2000	6.0	5.1	13.9	13.3	3.2	13.3	23.4	17.7	0.8	3.3
Avg Small Blend	7.9	6.7	15.1	15.5	4.4	10.9	21.3	14.7	0.6	2.8
Wanger USA	5.2	1.5	29.9	9.0	2.6	14.7	19.2	17.2	0.7	0.0
Russell 2000 Growth	5.1	5.4	14.7	15.2	3.7	21.8	7.6	25.6	0.8	0.2
Avg Small Growth	5.4	4.0	16.3	18.0	3.3	17.9	12.6	21.6	0.4	0.5
Vanguard Total Intl Stock Index Sig	8.8	8.8	12.5	11.5	9.4	8.1	25.4	7.3	4.7	3.5
FTSE Global All Cap ex US	8.7	8.9	12.5	11.2	9.2	7.9	26.2	7.2	4.7	3.5
Avg Foreign Large Blend	7.8	8.1	13.3	13.0	10.3	10.5	23.5	6.6	4.5	2.5
Amer Funds EuroPac Gr R5	2.5	3.8	9.2	14.0	9.3	15.6	23.8	15.8	4.4	1.7
MSCI EAFE Net	7.0	8.3	12.7	11.4	10.8	10.6	25.8	4.6	5.0	3.9
Avg Foreign Large Blend	7.8	8.1	13.3	13.0	10.3	10.5	23.5	6.6	4.5	2.5
DFA Int'l Small Company I	5.0	9.5	25.4	20.0	5.9	6.3	14.7	9.0	2.2	2.0
MSCI EAFE Small Cap	3.8	9.7	22.7	17.8	6.0	6.5	21.1	9.1	1.3	2.0
Avg Foreign Small/Mid Value	5.6	9.7	21.6	21.3	6.2	5.9	16.5	9.5	2.0	1.7
Oppenheimer Developing Mkts Y	10.8	5.4	4.2	16.6	19.2	3.7	19.9	17.3	2.9	0.0
MSCI EM Net	9.9	8.3	6.7	9.4	8.3	1.9	27.8	17.0	7.3	3.3
Avg Diversified Emerging Markets	9.2	7.1	6.8	11.5	11.3	2.7	25.1	16.4	7.1	2.8

International Fund Regional Allocations

As of June 30, 2014



International Fund Country Allocations

As of June 30, 2014

	Argentina	Australia	Austria	Belgium	Brazil	Canada	Chile	China	Czech Republic	Denmark	Finland	France	Germany	Greece	Hong Kong	Hungary	India	Indonesia	Ireland	Israel	Italy	Japan	Malaysia	Mexico	Netherlands
Vanguard Total Intl Stock Index Sig		5.6	0.3	0.9	1.9	7.7	0.3	3.6		1.0	0.7	6.1	6.0	0.1	2.0		2.0	0.5	0.4	0.4	1.9	15.5	0.9	1.0	2.0
Amer Funds EuroPac Gr R5		0.4		1.2		2.9		5.1		6.1	1.0	6.0	9.0		5.7		6.5	0.3	1.7	0.7	1.0	13.7		0.4	3.2
MSCI EAFE Net		8.2	0.2	1.2				0.1		1.5	0.9	9.3	7.9		3.0				0.3	0.5	2.4	21.3			3.0

	New Zealand	Norway	Pakistan	Philippines	Poland	Portugal	Russia	Singapore	Slovakia	South Africa	South Korea	Spain	Sweden	Switzerland	Taiwan	Thailand	Turkey	United Kingdom	United States	Non-US	Venezuela	Vietnam	Lithuania	Latvia	Estonia
Vanguard Total Intl Stock Index Sig	0.2	0.7		0.3	0.3	0.2	0.6	1.1		1.6	3.3	2.5	2.2	6.1	3.0	0.5	0.4	15.5	0.2	99.8					
Amer Funds EuroPac Gr R5							1.7			1.5	4.4	2.4	1.4	6.6	1.9	0.2		12.5	1.7	98.3					
MSCI EAFE Net	0.1	0.8				0.2		1.5				3.4	3.0	8.8				21.8		99.9					

Small Cap International Fund and Emerging Markets Fund Country Allocations

As of June 30, 2014

	Argentina	Australia	Austria	Belgium	Brazil	Canada	Chile	China	Czech Republic	Denmark	Finland	France	Germany	Greece	Hong Kong	Hungary	India	Indonesia	Ireland	Israel	Italy	Japan	Malaysia	Mexico	Netherlands
DFA Int'l Small Company I		6.1	1.0	1.2		3.6		0.4		2.0	2.7	4.8	5.4		2.6				1.4	1.0	3.6	21.8			2.0
MSCI EAFE Small Cap		7.1	0.8	1.5				0.4		1.9	1.5	3.6	5.5		2.5				1.6	1.1	3.4	28.8			1.5
Oppenheimer Developing Mkts Y					13.1		1.1	15.5		2.0		2.5			5.9		12.9	2.8			2.0		1.3	5.5	
MSCI EM Net					9.1		1.5	18.9	0.2					0.7	1.3	0.2	6.8	2.8					4.0	5.4	

	New Zealand	Norway	Pakistan	Philippines	Poland	Portugal	Russia	Singapore	Slovakia	South Africa	South Korea	Spain	Sweden	Switzerland	Taiwan	Thailand	Turkey	United Kingdom	United States	Non-US	Venezuela	Vietnam	Lithuania	Latvia	Estonia
DFA Int'l Small Company I	1.1	1.2				0.7		1.7				2.4	4.0	4.8				23.9	0.2	99.8					
MSCI EAFE Small Cap	1.0	1.9				0.6		2.5				2.4	4.0	4.2				21.9	0.1	99.9					
Oppenheimer Developing Mkts Y				2.2			8.6			1.7	1.2			1.3	2.1	1.1	3.5	7.2		100.0					
MSCI EM Net				1.0	1.7		4.5			7.9	15.3				12.3	2.3	1.8		0.1	99.9					

General Fund Information

As of June 30, 2014

Fund Name	Manager	Average Tenure (years)	Longest Tenure (years)	Total Assets (\$MM)	Morningstar Rating Overall	Morningstar Analyst Rating
PIMCO Total Return	William H. Gross	27	27	\$231,917	★★★★	Gold
BlackRock Inflation Prot Bond I	Martin Hegarty (2)*	2	4	\$2,515	★★★★★	Bronze
Templeton Global Bond VIP CI 1	Michael J. Hasenstab (2)*	8	13	\$3,564	★★★★	
Vanguard Target Retirement Inc	Michael H. Buek (3)*	2	2	\$10,786	★★★★	Gold
Vanguard Target Retirement 2010	Michael H. Buek (3)*	2	2	\$6,892	★★★★	Gold
Vanguard Target Retirement 2015	Michael H. Buek (3)*	2	2	\$21,220	★★★★	Gold
Vanguard Target Retirement 2020	Michael H. Buek (3)*	2	2	\$25,374	★★★★	Gold
Vanguard Target Retirement 2025	Michael H. Buek (3)*	2	2	\$29,388	★★★★	Gold
Vanguard Target Retirement 2030	Michael H. Buek (3)*	2	2	\$20,991	★★★★	Gold
Vanguard Target Retirement 2035	Michael H. Buek (3)*	2	2	\$22,136	★★★★	Gold
Vanguard Target Retirement 2040	Michael H. Buek (3)*	2	2	\$14,391	★★★★	Gold
Vanguard Target Retirement 2045	Michael H. Buek (3)*	2	2	\$13,361	★★★★	Gold
Vanguard Target Retirement 2050	Michael H. Buek (3)*	2	2	\$6,580	★★★★	Gold
Vanguard Target Retirement 2055	Michael H. Buek (3)*	2	2	\$1,570	★★★★	Gold

* Longest tenured manager listed with total number of fund managers listed in parentheses

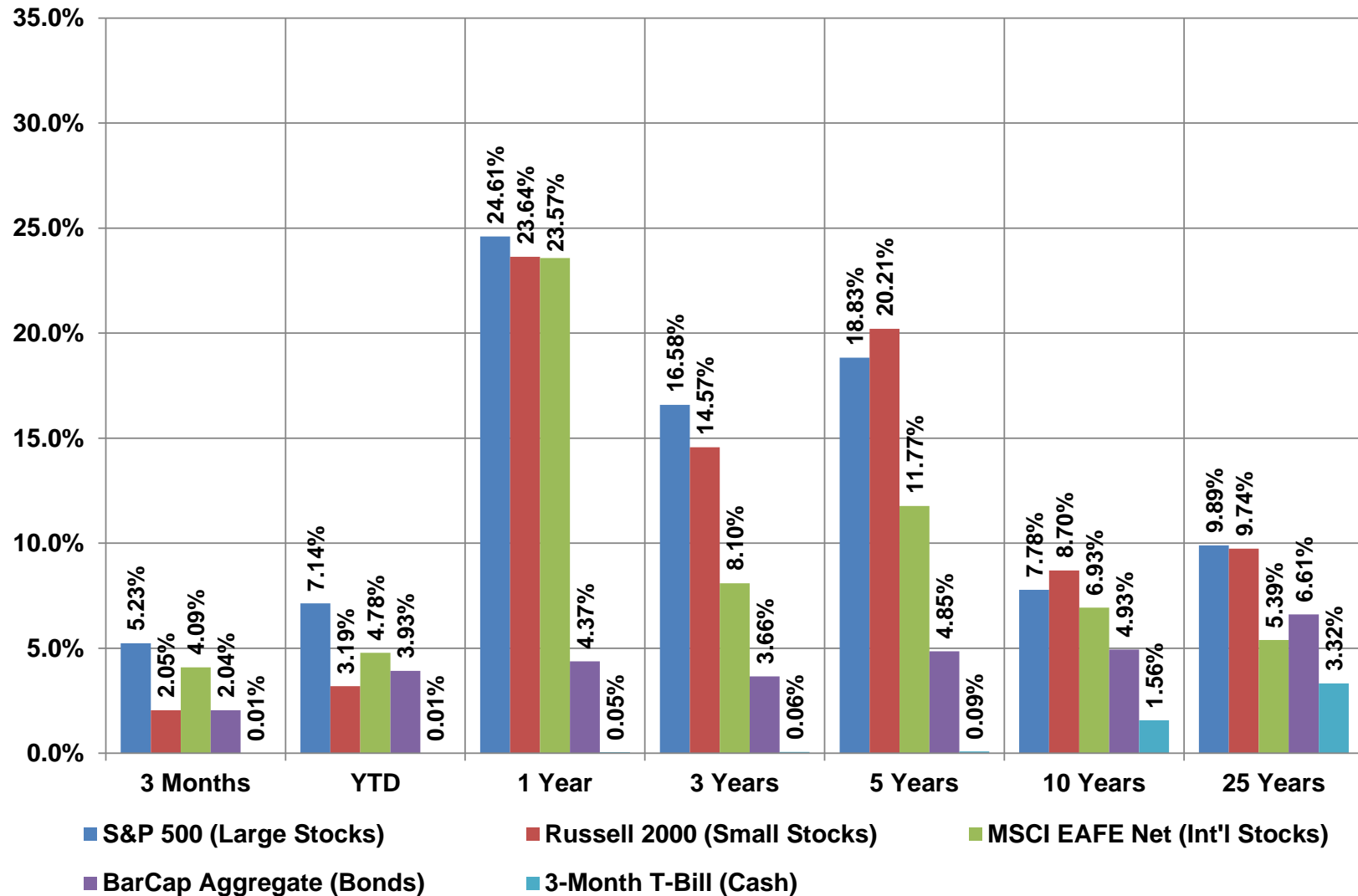
General Fund Information

As of June 30, 2014

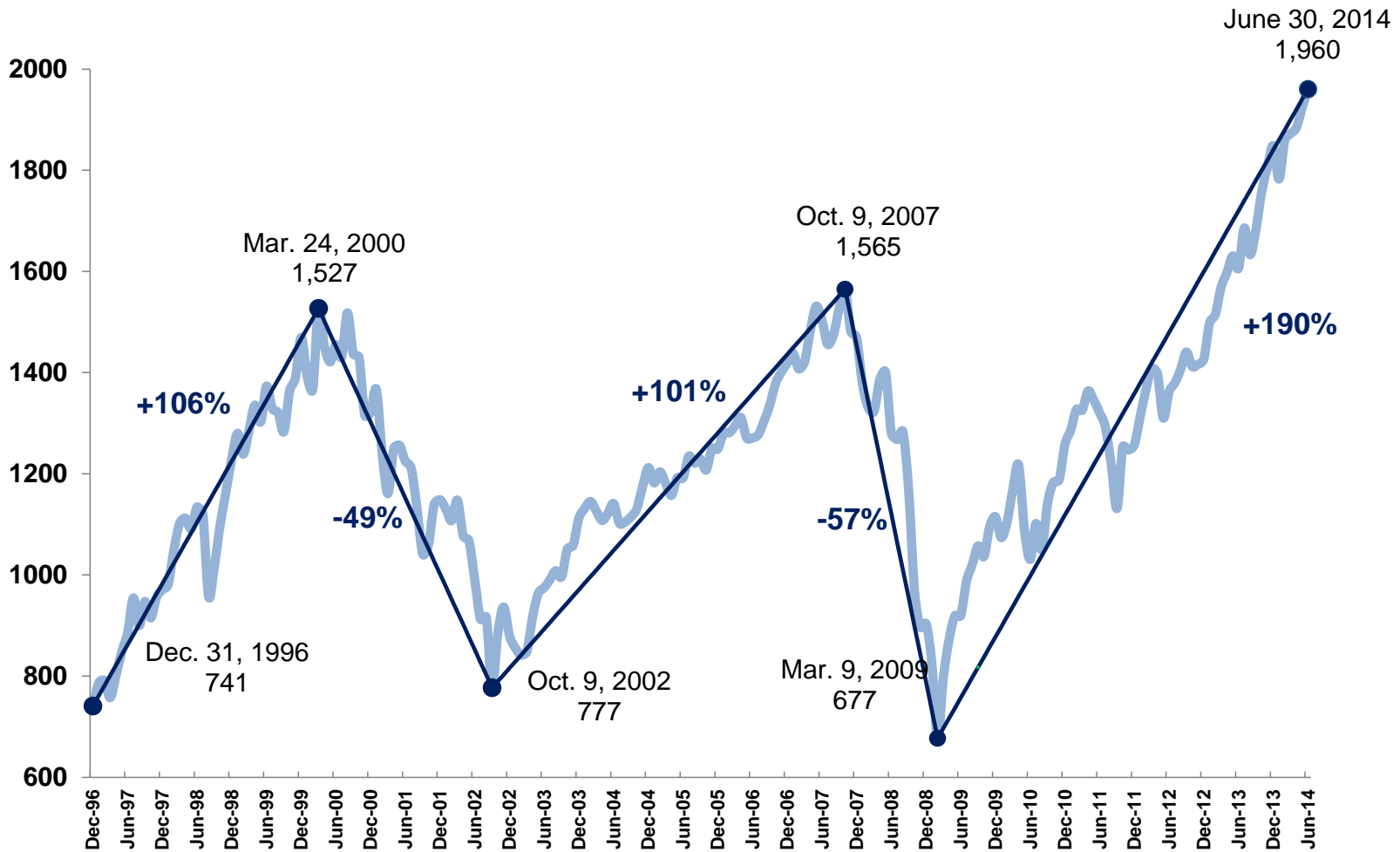
Fund Name	Manager	Average Tenure (years)	Longest Tenure (years)	Total Assets (\$MM)	Morningstar Rating Overall	Morningstar Analyst Rating
Allianz NFJ Dividend Value Instl	Benno J. Fischer (7)*	6	14	\$9,395	★★★	Silver
Yacktman Svc	Donald A. Yacktman (3)*	13	22	\$14,160	★★★★	Gold
Vanguard Institutional Index I	Donald M. Butler	14	14	\$175,367	★★★★	Gold
Vanguard Total Stock Idx Instl	Gerard C. O'Reilly	20	20	\$347,327	★★★★	Gold
Parnassus Core Equity Instl	Todd C. Ahlsten (2)*	8	13	\$9,597	★★★★	Silver
Fidelity Advisor New Insights I	William Danoff (2)*	6	11	\$27,924	★★★★	Silver
Amer Funds Growth Fund of Amer R5	James F. Rothenberg (12)*	11	26	\$136,283	★★★★	Bronze
JPMorgan Mid Cap Value Instl	Jonathan K.L. Simon (3)*	12	17	\$15,704	★★★★★	Gold
Vanguard Mid Cap Index Instl	Donald M. Butler	16	16	\$52,689	★★★★★	Gold
Fidelity VIP Mid Cap Port Initial	Thomas Allen	13	13	\$9,296	★★★	
Perkins Small Value I	Robert Hunter Perkins (3)*	12	30	\$2,020	★★	Silver
Vanguard Small Cap Index Instl	Michael H. Buek	23	23	\$49,127	★★★★	Gold
Wanger USA	Robert A. Mohn (2)*	10	19	\$785	★★★	
Vanguard Total Intl Stock Index Sig	Michael Perre	6	6	\$129,810	★★★	
Amer Funds EuroPac Gr R5	Mark E. Denning (9)*	10	23	\$118,834	★★★★★	Gold
DFA Int'l Small Company I	Karen E. Umland (3)*	8	16	\$9,312	★★★	Silver
Oppenheimer Developing Mkts Y	Justin Leverenz	7	7	\$42,985	★★★★★	Silver
ING Clarion Real Estate I	T. Ritson Ferguson (2)*	5	5	\$711	★★★★	

* Longest tenured manager listed with total number of fund managers listed in parentheses

Capital Market Performance as of June 30, 2014

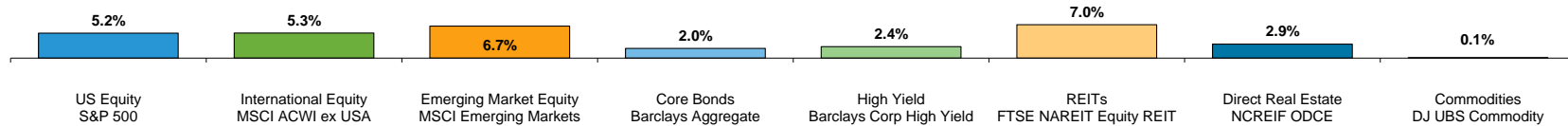


S&P 500 Index at Inflection Points



Source: Standard & Poor's, J.P. Morgan Asset Management
Returns based on S&P 500 Index Price Movement

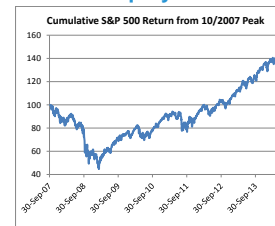
Market Commentary



Market Themes

- Equities continued their ascent during the 2nd quarter, and the S&P 500 set new record highs. Stocks shrugged off conflict in Eastern Europe and the Middle East and instead found support from a stream of favorable economic data. While such an environment would generally be negative for fixed income (and supportive for yields), interest rates fell, and the yield on the 10-Year Treasury Note descended to levels not seen since mid-2013.
- Preliminary estimates for Q2 real GDP came in at a robust 4.0%, offsetting a -2.1% contraction during Q1. It is interesting to note that quarterly contractions in GDP greater than -1.5% have historically been associated with a recession, though that is contrary to consensus expectations that call for 3% annualized growth for the second half of 2014. While markets initially reacted adversely to the announcement of a Q1 contraction, it was eventually shrugged off as a one-time event resulting from unusually cold weather and no longer relevant.
- The labor market continued to grow at a solid pace, as non-farm payrolls averaged monthly growth of 277,000 jobs during the quarter. Unemployment inched lower during the quarter, falling from 6.3% to 6.2%.
- Despite the improving labor market, deflationary risks appeared to be the Fed's primary focus. Rolling 12-month CPI broke the 2.0% level in May (the first time since October 2012), and the Federal Reserve had previously noted that inflation at such levels could prompt tighter monetary policy. Equities took a brief pause in response but found solace from Fed Chair Yellen's comments expressing skepticism over the sustainability of higher prices and referred to the data as "noise." As of June 30, CPI for the trailing one-year period came in at 2.1%.
- In Europe, the peripheral countries were still under pressure, despite significant falls in bond yields and signs that economies were turning the corner. However, perhaps concerned with more entrenched deflationary forces, Mario Draghi finally reacted, cutting the base rate by 0.10% to 0.15% and introducing negative deposit rates (of -0.10%) in a virtually unprecedented measure. At the end of the quarter, Draghi also revealed that banks would be able to borrow up to €1 trillion from the European Central Bank ("ECB") in a targeted long-term refinancing operation ("TLTRO").
- Though the UK has seen the strongest growth within the OECD, the Bank of England ("BoE") is still cautioning not to de-rail it with premature tightening. Concern has also centered on asset price inflation bubbles, particularly housing. BoE Governor, Mark Carney, keen not to stifle the recovery, looks to apply 'macro-prudential' tools in order to manage certain parts of the financial system without removing stimulus.
- In Japan, 'Abenomics' continued with a second release of his 'third arrow' growth strategy, targeting structural reforms.

Domestic Equity



- US equities continued to post gains in an environment of healthy economic data and a Federal Reserve with an apparent dovish bias. The S&P 500 Index, which set a new record high, returned 5.2% for the quarter. This was accompanied by an unprecedented drop in expected volatility. The VIX Index, which is a measure of expected market volatility and used to gauge market uncertainty, fell to levels not seen since 2007 and set a new record low in June at 10.4%.

- Large and mid-cap stocks returned about 5% for the quarter, outperforming the 2% return from small-cap. The former benefited from their larger allocation to energy (+12%), the only sector to produce double digit returns having found support from Middle East conflict. Utilities also produced strong returns (8%) coinciding with falling interest rates.

International Equity

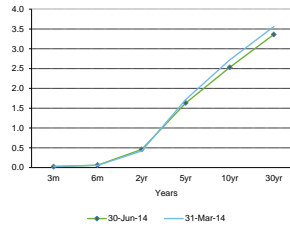
- International Equity** returns roughly matched that of the United States over the quarter. With monetary policies remaining accommodative, many stock markets hit fresh record highs.
- In contrast to the previous quarter, **Japan** was among the stronger performing regions over the quarter. The market returned 7% over the period, as the Bank of Japan opined that economic trends remained on track and concluded that no additional monetary stimulus was required in the short term.
- European (ex UK) Equities** struggled somewhat as a region and only returned about 3%. The ECB was forced to move to stave off the threat of deflation, though fell short of implementing quantitative easing.

Emerging Market Equities

- Appetite for **Emerging Market Equities** re-surfaced during the period; the region was up 7.0% over the second quarter of 2014.
- Indian equities surged, following the election victory of Narendra Modi.
- China's GDP growth of 7.5% met its target. Economic indicators also improved in China, further soothing fears of a "hard landing," although financial stresses from shadow banking and the property market continued to be a source of great concern.

Market Commentary

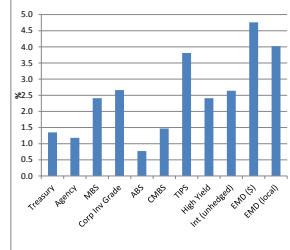
Treasury Curve (%)



Bond Markets – Interest Rates

- Interest rates declined across the curve during the quarter, and the yield on the **10 Year Treasury Note** dipped to as low as 2.4% before stabilizing at quarter end at around 2.55%. The curve flattened, and the greatest returns were seen at the long end of the Treasury curve. TIPS also generated outsized returns, as signs of inflation began to emerge.

Bond Sector Q2 Performance



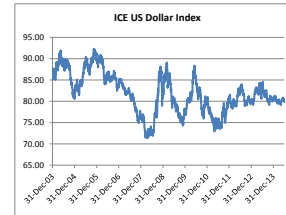
Bond Markets – Sectors

- The **Barclays Aggregate Index** returned 2.0% for the quarter with spread sectors producing higher returns. Credit was the best performing sector within the benchmark. MBS also managed to produce solid returns despite continued expectations for Federal Reserve purchases of such securities to end later in 2014. While high-yield returns were comparable to investment grade credits, spreads narrowed to multi-year lows.

- Long duration sectors again generated the strongest returns, bolstered by lower rates and a flattening yield curve. Long Gov/Credit and long Treasuries returned approximately 5% for the quarter, roughly matching the increase in the Citigroup Pension Liability Index.

Global Bond Markets

- Europe and UK bond markets were similar to US in that outperformance was seen at the long end of their respective curves. Credit was also the best performing sector, particularly at the lower-rated end of the credit spectrum.
- Emerging Market Debt** ("EMD"), like emerging market equities, saw a rebound in valuations from the sell-off of mid-2013 and finally exhibited signs of recovery following the announcement of "tapering" by the Federal Reserve mid last year.

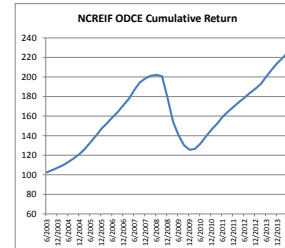
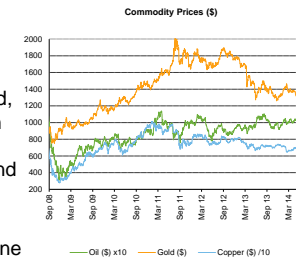


Currency

- The US dollar index weakened -0.4% for the quarter. The British pound exhibited relative strength on hawkish tones from the Bank of England and signs that monetary tightening could commence in 2014. The Canadian dollar and Japanese yen also gained on the US dollar. The euro weakened on a cut of interest rates by the ECB. In emerging markets, results were mixed. Latin America did well with the exception of Argentina. The South Korea won was among the stronger EM Asia performers.

Commodities

- Gold** prices pushed higher over the second quarter of 2014, driven by the rapidly deteriorating conflicts in Iraq, Syria, and Ukraine.
- Meanwhile **Copper** prices continued to fall over the period, as weakening growth and a deteriorating trade balance in China, where copper is used as much for financing transactions as for its commodity properties, led to demand concerns.
- Oil** prices edged up to levels not seen for nine months in June, as escalating violence in the Middle East and Ukraine exasperated worries about the security of crude oil exports and Russian gas supplies keeping up with strengthening global demand.



Real Estate

- The NCREIF Open-End Diversified Core (**ODCE**) Index, an index of open-end diversified core real estate funds that invest in direct real estate, returned 2.9% (gross) during the quarter. Property occupancies rose from 91.1% to 92.3%, which is the highest since Q3 2007. Leverage was 22.1% as of quarter end.
- The FTSE NAREIT Equity **REIT** Index outperformed the broader equity market with a 7% return. All sectors produced positive gains, and the return spread between sectors was relatively narrow. Hotels led with an 11% return, followed by apartment REITs at 9%. Industrial REITs bring up the rear at 2%.

Market Indices – For Periods Ended June 30, 2014

	3 Months Return	6 Months Return	9 Months Return	1 Year Return	2 Years *Return	3 Years *Return	4 Years *Return	5 Years *Return	10 Years *Return
S&P 500 Index	5.23	7.14	18.40	24.61	22.59	16.58	19.96	18.83	7.78
NASDAQ	5.31	6.18	17.97	31.17	24.20	18.18	21.66	20.50	8.84
MSCI EAFE Index	4.34	5.14	11.19	24.09	21.59	8.59	13.79	12.27	7.42
MSCI Emerging Markets Index	6.71	6.32	8.30	14.68	8.81	-0.06	6.36	9.58	12.30
MSCI All Country World ex USA	5.25	5.89	10.99	22.27	18.13	6.21	11.77	11.59	8.22
Russell 1000 Index	5.12	7.27	18.24	25.35	23.28	16.63	20.28	19.25	8.19
Russell Midcap Index	4.97	8.67	17.79	26.85	26.13	16.09	21.32	22.07	10.43
Russell 2000 Index	2.05	3.19	12.19	23.64	23.92	14.57	19.89	20.21	8.70
Russell 3000 Index	4.87	6.94	17.75	25.22	23.33	16.46	20.24	19.33	8.23
Russell 1000 Growth Index	5.13	6.31	17.40	26.92	21.89	16.26	20.69	19.24	8.20
Russell 1000 Value Index	5.10	8.28	19.12	23.81	24.56	16.92	19.81	19.23	8.03
Russell Midcap Growth Index	4.37	6.51	15.27	26.04	24.45	14.54	21.12	21.16	9.83
Russell Midcap Value Index	5.62	11.14	20.65	27.76	27.71	17.56	21.53	22.97	10.66
Russell 2000 Growth Index	1.72	2.22	10.57	24.73	24.20	14.49	21.14	20.50	9.04
Russell 2000 Value Index	2.38	4.20	13.89	22.54	23.65	14.65	18.61	19.88	8.24
NAREIT Equity REITs	6.98	17.66	16.82	13.21	11.30	11.84	16.92	23.52	9.61
Barclays Capital Intermediate G/C Bond Index	1.23	2.25	2.23	2.86	1.56	2.83	3.07	4.09	4.33
Barclays Capital Long Term G/C Bond Index	4.93	11.81	11.71	10.77	2.75	9.57	7.94	9.60	7.60
Barclays Capital Aggregate Bond Index	2.04	3.93	3.78	4.37	1.81	3.66	3.72	4.85	4.93
Barclays Capital U.S. TIPS	3.81	5.83	3.71	4.44	-0.27	3.55	4.58	5.55	5.25
Barclays Capital U.S. Government	1.34	2.66	1.95	2.08	0.27	2.88	2.72	3.46	4.43
Barclays Capital U.S. Corporate Inv Grade	2.66	5.68	6.85	7.73	4.49	6.21	6.23	8.10	5.94
Barclays Capital U.S. Corporate High Yield	2.41	5.46	9.24	11.73	10.61	9.48	10.99	13.98	9.05
Citigroup Non-US WGBI USD	2.64	5.95	4.64	8.88	1.32	1.03	4.11	3.59	4.90
JP Morgan EMBI Global Diversified USD	4.76	8.66	10.32	11.63	6.24	7.40	8.39	10.33	9.28
JP Morgan GBI EM Global Diversified USD	4.02	5.99	4.37	3.91	2.61	1.16	5.50	7.42	10.01
Citigroup 90-Day Treasury Bills	0.01	0.02	0.03	0.04	0.06	0.05	0.07	0.08	1.54
Citigroup Pension Liability Index	5.00	14.24	15.15	14.38	2.91	13.28	10.47	12.19	9.35

* Returns greater than one year are annualized.

Market Indices – Annual Returns

	2004 Return	2005 Return	2006 Return	2007 Return	2008 Return	2009 Return	2010 Return	2011 Return	2012 Return	2013 Return
S&P 500 Index	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11	16.00	32.39
NASDAQ	8.59	1.37	9.90	10.55	-40.03	45.32	18.02	-0.83	17.45	40.12
MSCI EAFE Index	20.70	14.02	26.86	11.63	-43.06	32.46	8.21	-11.73	17.90	23.29
MSCI Emerging Markets Index	25.95	34.54	32.55	39.82	-53.18	79.02	19.20	-18.17	18.63	-2.27
MSCI All Country World ex USA	21.36	17.11	27.16	17.12	-45.24	42.14	11.60	-13.33	17.39	15.78
Russell 1000 Index	11.40	6.27	15.46	5.77	-37.60	28.43	16.10	1.50	16.42	33.11
Russell Midcap Index	20.22	12.65	15.26	5.60	-41.46	40.48	25.48	-1.55	17.28	34.76
Russell 2000 Index	18.33	4.55	18.37	-1.57	-33.79	27.17	26.85	-4.18	16.35	38.82
Russell 3000 Index	11.95	6.12	15.72	5.14	-37.31	28.34	16.93	1.03	16.42	33.55
Russell 1000 Growth Index	6.30	5.26	9.07	11.81	-38.44	37.21	16.71	2.64	15.26	33.48
Russell 1000 Value Index	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39	17.51	32.53
Russell Midcap Growth Index	15.48	12.10	10.66	11.43	-44.32	46.29	26.38	-1.65	15.81	35.74
Russell Midcap Value Index	23.71	12.65	20.22	-1.42	-38.44	34.21	24.75	-1.38	18.51	33.46
Russell 2000 Growth Index	14.31	4.15	13.35	7.05	-38.54	34.47	29.09	-2.91	14.59	43.30
Russell 2000 Value Index	22.25	4.71	23.48	-9.78	-28.92	20.58	24.50	-5.50	18.05	34.52
NAREIT Equity REITs	31.58	12.16	35.06	-15.69	-37.73	27.99	27.96	8.29	18.06	2.47
Barclays Capital Intermediate G/C Bond Index	3.04	1.58	4.08	7.39	5.08	5.24	5.89	5.80	3.89	-0.86
Barclays Capital Long Term G/C Bond Index	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78	-8.83
Barclays Capital Aggregate Bond Index	4.34	2.43	4.33	6.97	5.24	5.93	6.54	7.84	4.21	-2.02
Barclays Capital U.S. TIPS	8.46	2.84	0.41	11.64	-2.35	11.41	6.31	13.56	6.98	-8.61
Barclays Capital U.S. Government	3.48	2.65	3.48	8.66	12.39	-2.20	5.52	9.02	2.02	-2.60
Barclays Capital U.S. Corporate Inv Grade	5.39	1.68	4.30	4.56	-4.94	18.68	9.00	8.15	9.82	-1.53
Barclays Capital U.S. Corporate High Yield	11.13	2.74	11.85	1.87	-26.16	58.21	15.12	4.98	15.81	7.44
Citigroup Non-US WGBI USD	12.14	-9.20	6.94	11.45	10.11	4.39	5.21	5.17	1.51	-4.56
JP Morgan EMBI Global Diversified USD	11.62	10.25	9.86	6.16	-12.03	29.82	12.24	7.35	17.44	-5.25
JP Morgan GBI EM Global Diversified USD	22.97	6.27	15.22	18.11	-5.22	21.98	15.68	-1.75	16.76	-8.98
Citigroup 90-Day Treasury Bills	1.24	3.00	4.76	4.74	1.80	0.16	0.13	0.08	0.07	0.05
Citigroup Pension Liability Index	11.65	7.86	0.25	-2.89	17.57	4.61	13.76	28.33	11.66	-10.55

Glossary of Investment Terms

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive Alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative Alpha indicates the portfolio has underperformed, given the expectations established by beta.

Average Credit Quality gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio. For corporate bond and municipal bond funds, Morningstar also shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's. Because it's rare to find individual bonds in a portfolio with a rating below B, the average credit quality of bond funds in Morningstar's database ranges from AAA (highest) to B (lowest). AAA bonds carry the highest credit rating, while bonds issued by speculative companies usually carry the lowest credit ratings. For taxable bonds, anything at or below BB is considered a high-yield or junk bond. For the purpose of Morningstar's calculations, U.S. government bonds are considered AAA and other nonrated bonds generally are considered B.

Average Duration is a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration.

Average Maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security. Average effective maturity takes into consideration all mortgage prepayments, puts, and adjustable coupons. Longer-maturity funds are generally considered more interest-rate sensitive than their shorter counterparts.

Batting Average is a measure of a manager's ability to consistently beat the market. It is calculated by dividing the number of months in which the manager beat or matched an index by the total number of months in the period. For example, a manager who meets or outperforms the market every month in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

Beta is a measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement. It is the ratio of what the excess return of the fund would be to the excess return of the benchmark if there were no fund-specific sources of return. If beta is greater than one, movements in value of the fund that are associated with movements in the value of the benchmark tend to be amplified. If beta is one, they tend to be the same, and if beta is less than one, they tend to be dampened. If such movements tend to be in opposite directions, beta is negative. Beta is measured as the slope of the regression of the excess return on the fund as the dependent variable and the excess return on the benchmark as the independent variable. The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a portfolio's excess return over T-bills to the benchmark's excess return over T-bills, so a beta of 1.10 shows that the portfolio has performed 10% better than its benchmark in up markets and 10% worse in down markets, assuming all other factors remain constant.

Downside Capture Ratio measures a manager's performance in down markets relative to the market (benchmark) itself. For example, if the ratio is 90%, the manager has captured 90% of the down-market and outperformed the market on the downside.

Geometric Average Market Cap provides a measure of the size of the companies in which the fund invests. It is the weighted mean of the market capitalizations of the stocks in the fund's portfolio and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Information Ratio is a risk-adjusted performance measure. The information ratio is a special version of the Sharpe Ratio in that the benchmark is typically the fund's performance benchmark instead of the risk free rate. A higher information ratio indicates higher active returns per unit of active risk while a lower information ratio may indicate low levels of active returns, high levels of active risk or both.

P/B Ratio is the weighted average of the price/book ratios of all the stocks in a portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain. In practice, book value is an accounting number and for a variety of reasons may not reflect the actual value assigned to a company or security by market participants.

P/E Ratio is the weighted average of the price/earnings ratios of all the stocks in a portfolio. A fund's price/earnings ratio can act as a gauge of the fund's investment strategy in the current market climate, and whether it has a value or growth orientation. Companies in those industries enjoying a surge of popularity tend to have high P/E ratios, reflecting a growth orientation. More staid industries tend to have low P/E ratios, reflecting a value orientation. Morningstar generates this figure in-house on a monthly basis, based on the most-recent portfolio holdings submitted by the fund and stock statistics gleaned from our internal U.S. equities databases. Negative P/Es are not used, and any P/E greater than 60 is capped at 60 in the calculation of the average.

Peer Group Ranking is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. Morningstar categorizes funds based on their portfolio holdings (portfolio statistics and compositions over the past 3 years). The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

Sharpe Ratio is a risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 60-month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing a fund that is an investor's sole holding. The Sharpe Ratio can be used to compare two funds directly on how much risk a fund had to bear to earn excess return over the risk-free rate.

Standard Deviation is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Total Return is determined by taking the change in net asset value, reinvesting all income and capital-gains distributions, and dividing by the starting net asset value (NAV). Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly. Total return is expressed as a percentage.

Tracking Error is a measure of the volatility of excess returns relative to a benchmark.

Turnover Ratio is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year. A low turnover figure (20% to 30%) would indicate a buy-and-hold strategy while a high turnover (more than 100%) would indicate an investment strategy involving considerable buying and selling of securities.

Upside Capture Ratio measures a manager's performance in up markets relative to the market (benchmark) itself. For example, if the ratio is 110%, the manager has captured 110% of the up-market and outperformed the market on the upside.

Sector Definitions

Energy Sector: The Energy Sector comprises companies whose businesses are dominated by either of the following activities: The construction or provision of oil rigs, drilling equipment and other energy related service and equipment, including seismic data collection. Companies engaged in the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal and other consumer fuels.

Materials Sector: The Materials Sector encompasses a wide range of commodity-related manufacturing industries. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies, including producers of steel.

Industrials Sector: The Industrials Sector includes companies whose businesses are dominated by one of the following activities: The manufacture and distribution of capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery. The provision of commercial services and supplies, including printing, employment, environmental and office services. The provision of transportation services, including airlines, couriers, marine, road and rail and transportation infrastructure.

Consumer Discretionary Sector: The Consumer Discretionary Sector encompasses those industries that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, textiles and apparel and leisure equipment. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services.

Consumer Staples Sector: The Consumer Staples Sector comprises companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products. It also includes food and drug retailing companies as well as hypermarkets and consumer super centers.

Health Care Sector: The Health Care Sector encompasses two main industry groups. The first includes companies who manufacture health care equipment and supplies or provide health care related services, including distributors of health care products, providers of basic health-care services, and owners and operators of health care facilities and organizations. The second regroups companies primarily involved in the research, development, production and marketing of pharmaceuticals and biotechnology products.

Financials Sector: The Financials Sector contains companies involved in activities such as banking, mortgage finance consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, and financial investment, and real estate, including REITs.

Information Technology Sector: The Information Technology Sector covers the following areas: firstly, Technology Software and Services, including companies that primarily develop software in various fields such as the Internet, applications, systems, database management and/or home entertainment, and companies that provide information technology consulting and services, as well as data processing and outsourced services; secondly, Technology Hardware and Equipment, including manufacturers and distributors of communications equipment, computers and peripherals, electronic equipment and related instruments; and thirdly, Semiconductors and Semiconductor Equipment Manufacturers.

Telecommunications Services Sector: The Telecommunications Services Sector contains companies that provide communications services primarily through a fixed-line, cellular, wireless, high bandwidth and/or fiber optic cable network.

Utilities Sector: The Utilities Sector encompasses those companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

Regional Definitions

North America: United States and Canada

Emerging Central & Latin America: Mexico and Central and South America

United Kingdom: England, Northern Ireland, Scotland, Wales

Developed Europe: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain

Emerging Europe: Russia and other Eastern European countries

Africa/Middle East: Africa and Western Asian countries

Japan: Japan

Australasia: Australia and New Zealand

Developed Asia: Hong Kong, Singapore, South Korea

Emerging Asia: China, India, Indonesia, Malaysia, Philippines, Thailand

Vanguard Target Retirement Target-Date Fund Series Report

Morningstar Analyst Rating



Key Features

Asset-Weighted Expense Ratio	0.17%
Active/Passive Exposure	0% Active
Open/Closed Architecture	100% Closed
Total Net Assets (\$M)	186,731

Executive Summary

Rating:

Process



Vanguard takes a pragmatic approach to its glide path, focusing on low-cost exposure to multiple asset classes, as well as lower risk levels as investors approach and pass the retirement date. With an emphasis on index funds over actively managed offerings, the firm reduces the risks of manager turnover, high trading costs, and capacity constraints.

Price



Vanguard's unwavering dedication to low costs makes this line-up one of the least expensive options around, allowing more of its gains to compound year in and year out.

Performance



This series' low-cost model helps it earn a performance advantage over the long haul. In addition to keeping costs in check, the series' high-quality bond and broadly diversified stock portfolio helps it come out ahead on a risk-adjusted basis.

People



Vanguard made several changes to the management overseeing this target-date series in early 2013. Day-to-day activities are now overseen by veteran index-fund manager Michael Buek, as well as William Coleman and Walter Nejman. Catherine Gordon replaced John Ameriks as head of the investment counseling and research group that steers the asset-allocation policy.

Parent



Vanguard has written the book on low-cost, index-oriented investing. The firm's not-for-profit structure ensures low fees, and investor interests remain paramount. The funds' board does not have an independent chairman, but it has acted consistently in shareholders' interests. Vanguard has a clean regulatory record.

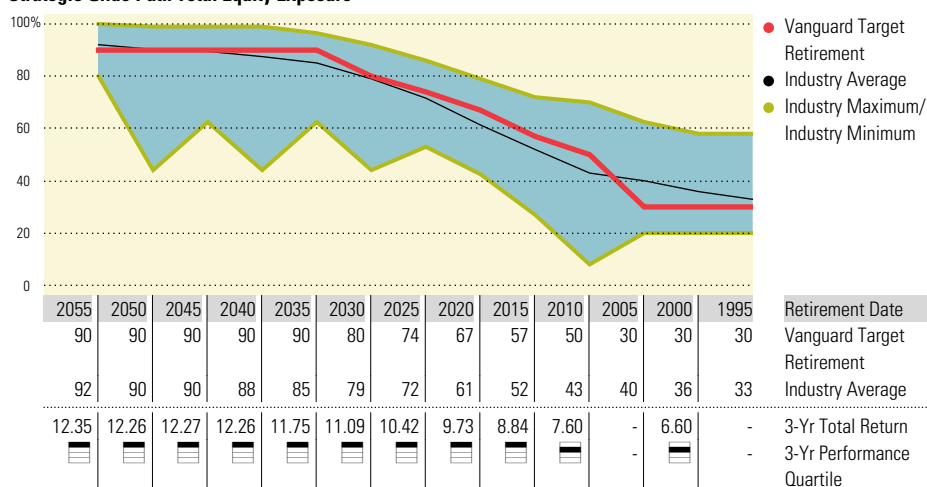
Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to fund that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

★ Gold ★ Silver ★ Bronze Neutral Negative

Strategic Glide Path Total Equity Exposure



Available Funds

Retirement Income Fund	2020 Fund	2035 Fund	2050 Fund
2010 Fund	2025 Fund	2040 Fund	2055 Fund
2015 Fund	2030 Fund	2045 Fund	2060 Fund

Morningstar Opinion

Vanguard Target Retirement Series' straightforward, low-cost approach continues to prove its worth.

This series' unassuming construction has appeal. The glide path starts with an industry-average 90%/10% stock/bond split, keeping a slightly higher allocation to stocks as it gradually rolls down that exposure. At retirement age, the series is split evenly between stocks and bonds, and then continues to decrease its stock exposure to 30% in the seven years after retirement. By forgoing tactical asset-allocation shifts, the series' results are not prone to timing missteps, letting its overall asset allocation drive results.

A well-diversified set of underlying index funds provides the series' stock and bond exposure throughout the glide path. On the equity side, two funds cover the domestic and international stock markets, including emerging markets. The home-country bias shown in the series' 3-to-7 division between international and domestic stocks aided returns in recent years, as the global stock market is more evenly split. Vanguard Total Bond Market II Index anchors the fixed-income portfolio, investing in government and investment-grade corporate bonds. A larger stake in government bonds and a longer duration than the norm could hurt the fund more than most if interest rates

Kathryn Spica, CFA

Senior Analyst, Fund-of-Funds Strategies 08-05-2014

rise faster than expected. Still, a higher-quality bond portfolio serves as particularly good ballast during down markets, one reason the series eschews lower-quality, high-yield bonds.

Management further diversified the bond sleeve in mid-2013, when it added Vanguard Total International Bond Index VTIBX, Vanguard's first U.S. mutual fund to invest in investment-grade foreign government and corporate bonds. International bonds have edged past their U.S. counterparts during the past year, helping this series' results. Over the long term, the international-bond stake should damp the volatility of the overall series. Management also recently added a short-term TIPS fund to replace a longer-dated sibling fund, as its research concluded that a lower-duration fund could better counteract inflation risk.

The series' above-average results during the first half of 2014 and over the long term reflect the benefits of its simple construction. While market movements largely drive results of the index-based series, its at-cost pricing keeps it among the least expensive in the industry and provides an enduring edge against the competition. This continues to be a top choice for retirement-focused investors.

Vanguard Target Retirement Target-Date Fund Series Report

Process: Approach

Rather than adhering to a single theoretical asset-allocation framework, Vanguard takes a pragmatic approach to the Target Retirement Funds' glide path and overall structure. The funds gradually transition to a heavier fixed-income weighting because the firm aims to limit market risk (or the potential of capital losses due to market turmoil) for near-retirees. Vanguard's use of market-cap-weighted benchmarks for their U.S.- and international-stock index funds results in the series' relatively broad exposure across sectors and geographical regions. To better protect capital following the retirement date, Vanguard emphasizes higher-quality bonds and includes an allocation to TIPS. The firm does not include dedicated exposure to commodities or real estate and also doesn't use absolute return strategies because it believes the potential diversification benefits of those asset classes are offset by higher execution costs, the potential lack of transparency, and other operational concerns.

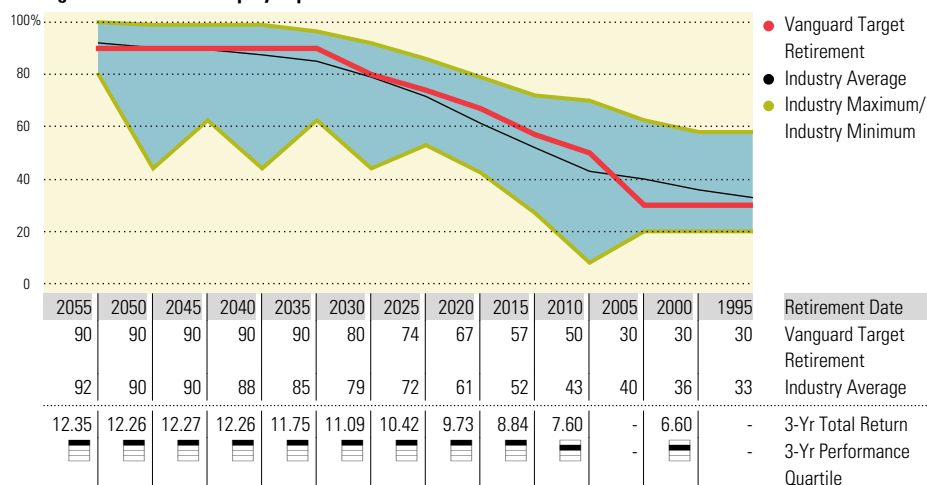
The series' asset allocation starts off at a 90%/10% split between stocks and bonds. That equity allocation is roughly in line with the industry average. The glide path lands at a 50% stock/50% bond split at retirement, a slightly equity-heavier position than the industry average. It then shifts to a final 30% stock/70% bond split within seven years of the retirement date. More-aggressive peers maintain heavier stock weightings well into retirement.

Within the equity sleeve, Vanguard Total Stock Market Index holds roughly 70% of the assets, and Vanguard Total International Stock Market Index has the remaining 30%. On the fixed-income side, Vanguard implemented some changes in the first half of 2013. The bond sleeve is initially split 80% in Vanguard Total Bond Market II Index and 20% in the recently launched Vanguard Total International Bond Index. A small allocation to TIPS kicks in five years before the retirement date, which is now in the Vanguard Short-Term Inflation-Protected Securities Index Fund. (It was previously in a longer-term TIPS fund.)

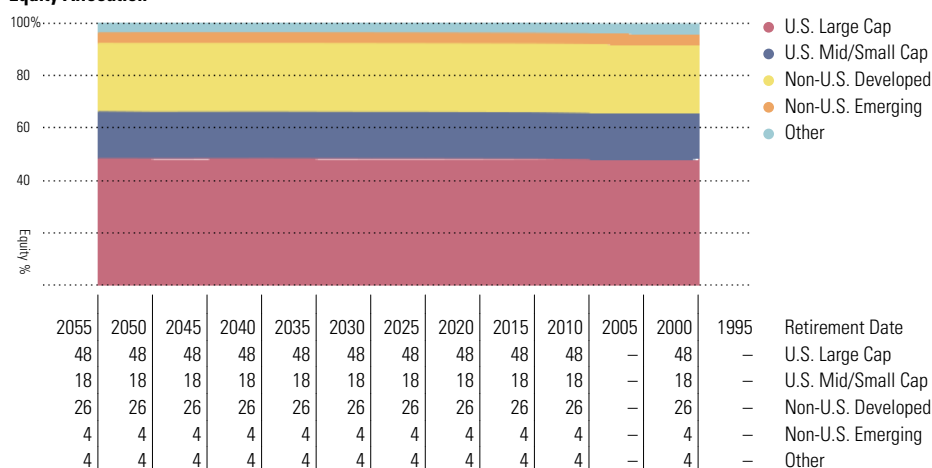
Vanguard communicates the design of its target-date series better than most. The firm's website includes graphics and videos explaining the glide path evolution and also contains numerous research papers addressing asset allocation and investors' use of target-date funds.

Rating: Positive

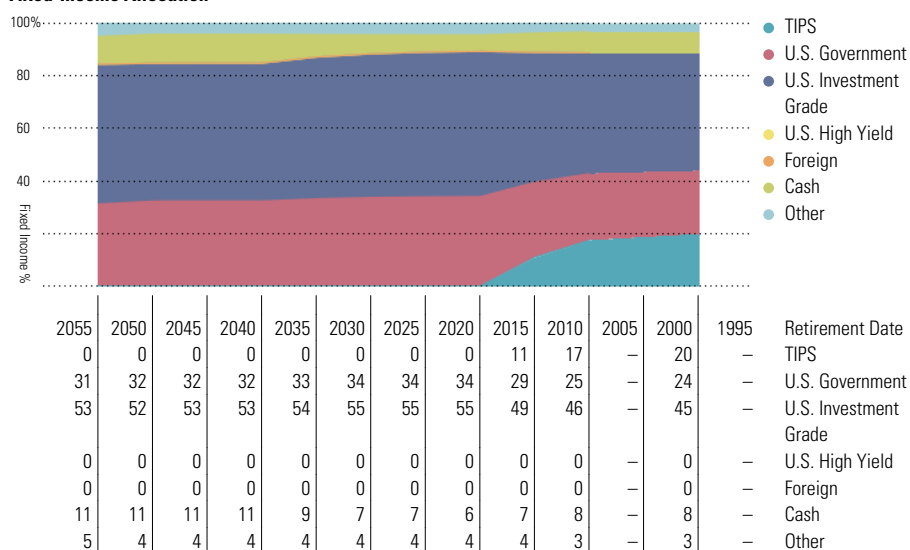
Strategic Glide Path Total Equity Exposure



Equity Allocation



Fixed-Income Allocation



Vanguard Target Retirement Target-Date Fund Series Report

Process: Portfolio

The underlying funds in the Target Retirement portfolios are a trusty lot. The portfolio's equity sleeve includes just two stock index funds, Vanguard Total Stock Market Index and Vanguard Total International Stock Market Index. In June 2013, Vanguard changed the benchmarks for the equity index funds to CRSP U.S. Total Market Index and FTSE Global All Cap ex US Index from their previous MSCI indexes. The new benchmarks have lower licensing fees, which should lead to cost savings for investors. The fund portfolios tracking the index should stay roughly the same, as the index methodologies are very similar.

In addition, Vanguard recently made changes to the series' fixed-income sleeve. First, Vanguard Total International Bond Index now receives 20% of the bond allocation throughout the glide path. The fund launched in mid-2013, and while it is Vanguard's first international-bond index fund available to U.S. investors, the firm has managed international-bond funds

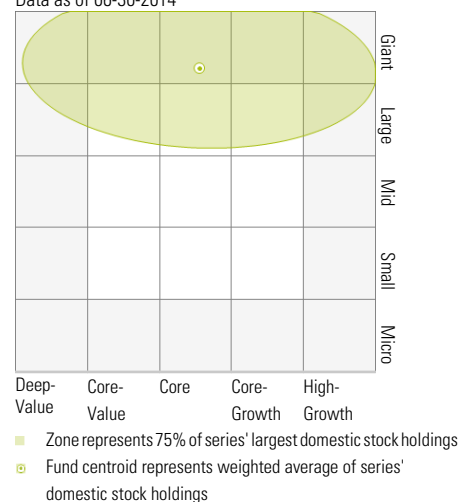
Rating: Positive

overseas for several years. Vanguard Total Bond Market II Index will initially hold an 80% stake of the bond sleeve, which will decrease when TIPS exposure is added near the retirement date. By adding international bonds, Vanguard argues the portfolios benefit from improved diversification with regard to interest-rate, credit, and country risks. The firm has recognized the benefits of foreign bond diversification for a while, but it took time to develop a suitable passive investment vehicle. In addition, the series now uses the Vanguard Short-Term Inflation-Protected Securities Index instead of Vanguard Inflation-Protected Securities for TIPS exposure, as the former's shorter duration provides purer protection against inflation.

The underlying funds, both the newly added and remaining, ought to track, rather than beat or lag, their respective benchmarks and provide diversified, low-cost exposure to the broad markets.

Series Holding-based Style Map - Equity

Data as of 06-30-2014



Top Investments as of 06-30-2014

		% of Assets	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Analyst Rating	Star Rating
Vanguard Total Stock Mkt Idx Inv	Large Blend	48.35	16.33	27	12.86	19.29	12	Gold	★★★★
Vanguard Total Bond Market II Idx Inv	Intermediate-Term Bond	22.26	3.48	70	2.83	4.66	81	—	★★
Vanguard Total Intl Stock Index Inv	Foreign Large Blend	20.80	5.83	69	16.72	11.01	58	Gold	★★★
Vanguard Total Intl Bd Idx Investor	World Bond	5.97	—	—	—	—	—	—	—
Vanguard Shrt-Term Infl-Prot Sec Idx Inv	Inflation-Protected Bond	2.30	—	—	—	—	—	—	—
Vanguard Inflation-Protected Secs Inv	Inflation-Protected Bond	0.25	3.42	15	5.60	5.37	23	Gold	★★★★
Vanguard Prime Money Market Inv	Money Market - Taxable	0.06	0.03	—	0.01	0.05	—	—	—
Total # Holdings									5
% Portfolio in Top 10 Holdings									100.00
Overall Average Morningstar Rating									3.29

Price

Rating: Positive

Although no longer the cheapest on an asset-weighted basis, Vanguard's Target Retirement Funds are still one of the lowest-cost options that retail investors can buy. With expense ratios ranging from 0.16%

to 0.18%, the funds' Investor share classes cost roughly one fifth as much as their typical peers, providing a helpful tailwind.

Asset-Weighted Cost vs. Industry Average

Vanguard Target Retirement	0.17%
Industry Average	0.85%

Avg Cost Per Share Class	Exp Ratio (%)	Net Assets (\$M)
Inv	0.17%	186,731
	—	—

Vanguard Target Retirement Target-Date Fund Series Report

Performance

Rating: Positive

This series continues to build a solid record. During the first half of 2014, all of the dated-funds in the series outperformed their respective peer norm. (Vanguard Target Retirement Income ranked just below the median.) This pattern is repeated over longer time periods, and during the trailing five-year period, all of the dated funds rank in the top third of their peer groups on a risk-adjusted basis.

The series' near-industry-average asset allocation remains the largest driver of results, made possible by a diversified set of underlying funds that capably execute their goals. Two underlying stock index funds closely replicate the performance of the global stock

market, providing stock exposures across regions, currencies, and sectors. Strong relative performance from the underlying equity funds propelled results during the first half of 2014, as passively managed funds have generally outperformed their more active counterparts. While international markets have lagged U.S. markets year to date through 2014, Vanguard Total International Stock Index, which provides the series' international stock exposure, helped narrow that gap: The fund delivered a top-quintile 5.8% return year to date through June 2014, surpassing the 3.8% of the foreign large-blend norm. Over the long term, both underlying equity funds have delivered peer-beating results.

The series' fixed-income exposure is generally straight-laced, and its emphasis on U.S. Treasuries provided a helpful buffer in difficult markets such as 2008 and 2011. Still, the series' higher-quality fixed-income approach leaves it in a relatively weaker position when riskier fare leads the charge. For example, during 2013, volatility in interest rates helped select fixed-income sectors such as bank loans and high-yield bonds, while the series' main fixed-income fund lost money. The addition of international bonds in mid-2013 increases the fixed-income sleeve's diversification and should help this series hold up better throughout the market cycle.

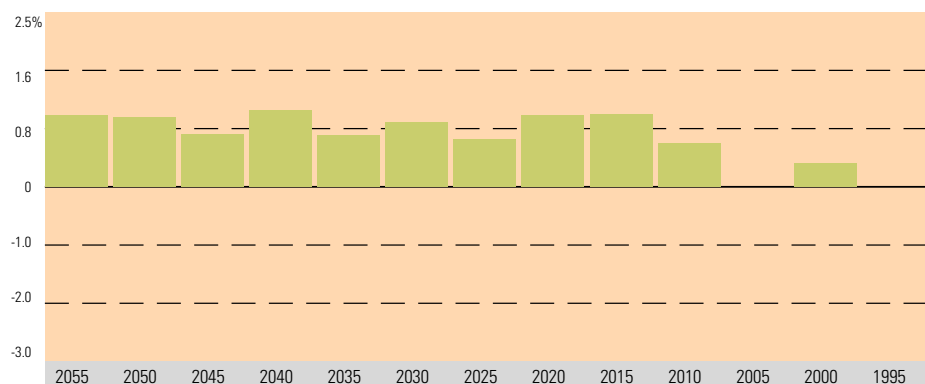
Target-Date Fund Performance as of 06-30-2014

	YTD Return %	YTD % Rank in Cat	2013 Return %	2012 Return %	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Star Rating
Vanguard Target Retirement 2010 Inv	4.7	39	9.1	10.1	7.6	28	6.0	10.5	45	★★★★
Vanguard Target Retirement 2015 Inv	5.3	21	13.0	11.4	8.8	9	7.4	11.9	24	★★★★
Vanguard Target Retirement 2020 Inv	5.6	9	15.8	12.3	9.7	7	8.6	12.9	22	★★★★
Vanguard Target Retirement 2025 Inv	5.8	12	18.1	13.3	10.4	10	9.7	13.8	29	★★★★
Vanguard Target Retirement 2030 Inv	6.0	12	20.5	14.2	11.1	10	10.7	14.6	19	★★★★
Vanguard Target Retirement 2035 Inv	6.2	7	22.8	15.2	11.7	12	11.8	15.4	17	★★★★
Vanguard Target Retirement 2040 Inv	6.4	10	24.4	15.6	12.3	9	12.2	15.8	13	★★★★
Vanguard Target Retirement 2045 Inv	6.4	9	24.4	15.6	12.3	11	12.2	15.8	13	★★★★
Vanguard Target Retirement 2050 Inv	6.3	11	24.3	15.6	12.3	12	12.2	15.8	13	★★★★
Vanguard Target Retirement 2055 Inv	6.4	9	24.3	15.6	12.4	14	12.2	—	—	★★★★
Vanguard Target Retirement 2060 Inv	6.4	9	24.3	—	—	—	—	—	—	—
Vanguard Target Retirement Income Inv	4.4	52	5.9	8.2	6.6	39	4.3	8.6	61	★★★★

For peer comparisons, 1 = highest return or lowest risk, 100 = lowest return or highest risk.

Target Date Funds Risk-Adjusted Returns +/- Category Average

Data as of 06-30-2014

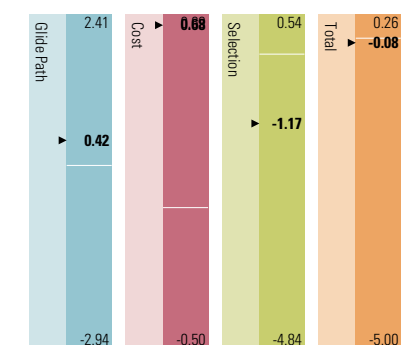


- Risk-adjusted return exceeding category average
- Risk-adjusted return trailing category average
- Category Average

Data is based on longest available performance history: three or five years. For series with more than 18 months of history, but less than three years of history, the risk-adjusted return of the appropriate Morningstar Lifetime Moderate Index is used to create a 3-year history.

Attribution Analysis

Trailing 3-Year Returns as of 06-30-2014



Vanguard Target Retirement	0.42
Glide Path	0.42
Cost	0.68
Selection	-1.17
Total	-0.08

Vanguard Target Retirement Target-Date Fund Series Report

People

In early 2013, Vanguard made changes to the management team running these funds. The day-to-day portfolio trading and oversight are now under the purview of Michael Buek, William Coleman, and Walter Nejman. Buek is a veteran Vanguard manager, having led some of the firm's index funds since the early 1990s. Coleman and Nejman joined the firm in 2006 and 2005, respectively. The series' former manager, Duane Kelly, remains at Vanguard as a leader on the equity indexing team. Vanguard historically has taken a deliberate approach to management transitions, and its management stability is comforting, considering that target-date funds are intended to be multidecade investments.

Vanguard also made changes to the investment counseling and research group that oversees the firm's asset-allocation policies. Catherine Gordon replaced John Ameriks as head of the group. Ameriks remains

Rating: Positive

at the firm as head of the active equity group and continues to oversee the asset allocation of the target-date series. Gordon founded the research group in 2001 and returned to lead it after having directed the firm's institutional advisory business for the past six years. The rest of the team remains in place, and the expertise and experience of the investment professionals continues to instill confidence.

The underlying index funds used in the series also benefit from experienced managers, including Gerard O'Reilly and Michael Perre, both of whom have more than a decade of experience running equity-index funds. The recently launched Vanguard Total International Bond Index and Vanguard Short-Term Inflation-Protected Securities Index, as well as Vanguard Total Bond Market II Index--the target-date series' largest fixed-income component--are also run by Vanguard veterans.

Series Management

Manager	Start Date
Management Team	06-2007
Duane Kelly	09-2008
Michael Buek	02-2013
William Coleman	02-2013
Walter Nejman	02-2013

Average Tenure	4.1 years
Longest Tenure	10.8 years
Target-Date Industry Average Tenure	5.5 years

Underlying Funds' Management

Average Tenure	7.5 years
Longest Tenure	19.6 years
Mutual Fund Industry Average Tenure	5.0 years

Parent

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has

Rating: Positive

closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Fund Family Data

Average Overall Star Rating	★★★★
% of Assets w/Star Rating	97.1%

Assets	(listed in USD \$Mil)
Total Assets Under Mgt	2,836,434

Average Manager Tenure	7.2 years
5-year Manager Retention Rate (%)	91.5%
Manager Investment Over 1 Million USD (% Assets)	13.8%

Average Fee Level (%)	4.0%
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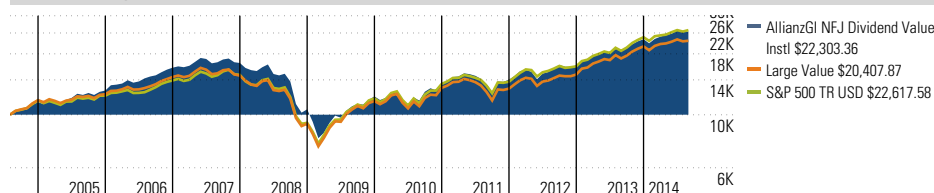
3-year Firm Success Ratio (%)	76.0%
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AllianzGI NFJ Dividend Value Instl NFJEX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.03	↑0.06 0.35	2.19	9.1	Open	\$1	None	0.71%	★★★	Large Value	Large Value

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks long-term growth of capital and income. The fund normally invests at least 80% of its net assets (plus borrowings made for investment purposes) in common stocks and other equity securities of companies that pay or are expected to pay dividends. It normally invests primarily in common stocks of companies with market capitalizations greater than \$3.5 billion. The fund may invest in real estate investment trusts (REITs) and in non-U.S. securities, including emerging market securities.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,771	9,844	11,627	17,328	21,109	22,303
Fund	7.71	-1.56	16.27	20.11	16.12	8.35
+/- S&P 500 TR USD	0.58	-0.63	-2.15	-0.88	-0.58	-0.15
+/- Category	1.68	-0.32	1.02	0.54	1.32	0.62
% Rank in Cat	15	75	31	44	20	31
# of Funds in Cat	1,285	1,340	1,248	1,082	958	626

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Intel Corp	4.60	34.11 USD	0.50 ↑	21.89 - 34.83
AT&T Inc	4.16	34.63 USD	-0.80 ↓	31.74 - 37.48
ConocoPhillips	4.05	80.70 USD	0.66 ↑	62.74 - 87.09
MetLife Inc	3.89	52.42 USD	-0.97 ↓	45.52 - 57.57
Ford Motor Co	3.84	17.28 USD	-0.86 ↓	14.40 - 18.12
% Assets in Top 5 Holdings	20.54			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 07-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	25.45	26.86	20.29	20.40	■ Fund ▼ Cat Avg
Energy	16.04	18.27	15.76	13.10	
Healthcare	14.42	14.42	11.16	12.91	
Technology	14.27	15.54	14.27	11.16	
Industrials	7.88	8.34	5.82	10.41	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-19	17.18	0.0000	0.0000	0.0000	0.1000	0.1000
2014-03-20	16.12	0.0000	0.0000	0.0000	0.0800	0.0800
2013-12-19	15.62	0.0000	0.0000	0.0000	0.1000	0.1000
2013-09-19	15.04	0.0000	0.0000	0.0000	0.0900	0.0900
2013-06-20	14.05	0.0000	0.0000	0.0000	0.0900	0.0900

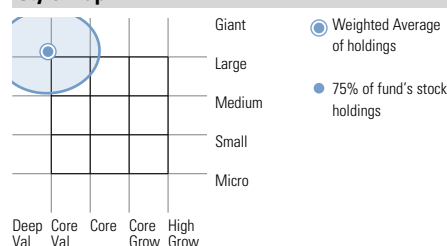
3 Year Average Morningstar Risk Measures



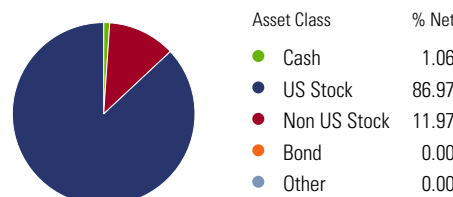
Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

Style Map



Asset Allocation



Management

	Start Date
Benno J. Fischer	2000-05-08
Thomas W. Oliver	2006-11-22
R. Burns McKinney	2007-11-01
Paul A. Magnuson	2008-09-15
L. Baxter Hines	2010-05-11
Jeff N. Reed	2011-11-01
Morley D. Campbell	2012-08-29

AllianzGI NFJ Dividend Value Instl NFJEX

Analysis

Dividends and valuations have long mattered here.

By Katie Rushkewicz Reichart, CFA 5/30/2014

AllianzGI NFJ Dividend Value has a strong legacy.

More than a fourth of the funds in the large-value category with "dividend," "income," or "yield" in their names have been launched in the past three years. That speaks to the hankering investors have for yield-producing investments as low interest rates weigh on the attractiveness of traditional fixed-income vehicles.

This fund has been around since 2000, but its roots extend beyond that. An identical separate account run by manager Ben Fischer dates back to 1989, making him one of the category's longest-tenured dividend-focused managers. Since then, the team at subadvisor NFJ has grown to 10 members, though the process hasn't changed. The managers only consider dividend-payers, but they don't just seek out the highest-yielding names. Stocks also must be trading at low price/earnings multiples.

This combination hasn't always produced the highest yields compared with funds that simply focus on payouts, but it's been a successful strategy over time. The fund has beaten its Russell 1000 Value benchmark by nearly 2 percentage points since inception (the separate account's record dating back to 1989 is also competitive).

The fund also offers more diversification than pure yield-focused funds, with the portfolio spread across sectors rather than clustering in traditional dividend mainstays such as utilities. In fact, the fund is currently a bit contrarian relative to yield-focused peers, owning just a 2% position in a single utility as of April (many peers own double-digit stakes). Instead, the managers are more willing to hold energy and materials names that have appeared undervalued, potentially making the fund a bit less defensive than pure dividend plays in market pullbacks.

However, over time the fund has held up better than its broad large-value category and bench-

mark in market downturns, losing just 90% as much. That's helped compensate for its tendency to look mediocre in strong rallies, as it has for much of the past five years, and has kept its long-term record strong.

Process Pillar: + Positive

This fund follows the same formula that's been used at all the firm's offerings since its 1989 founding. All holdings in the portfolio must pay a dividend, which the managers view as a sign of a company's financial stability and an important contributor to total return. Companies that eliminate their dividends are automatically sold from the portfolio. Those that reduce their payouts are monitored closely but aren't sold unless there are better candidates.

The strategy isn't simply yield-centric, though. The managers seek out stocks with low price/earnings ratios relative to their history, industry, or the market. Every day a quantitative report produces a list of investable ideas based on yield and valuations. The team then digs deeper into a company's financial statements to determine whether it has better relative value than other holdings. Price momentum is used to flag potential value traps. The managers avoid buying firms with poor price momentum scores and use the scores as a sell signal. In fact, price momentum led the managers to exit or avoid some troublesome financials and homebuilders during the 2007-09 market meltdown. The team also considers downward earnings revisions by sell-side analysts to be a red flag, as additional downward revisions from other analysts often follow. The portfolio holds 40-50 names, with position sizes capped at 4% of assets.

While yield is important, the managers won't simply buy a stock for its high payout. In fact, as of April 2014, the fund owned just one name in the utilities sector, a traditional dividend-haven (many income-focused funds held double-digit stakes). As a result, the fund won't always have the highest yield relative to other income-focused funds. However, its P/E ratio has been lower than most of

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	+ Positive
Performance	+ Positive
People	+ Positive
Parent	• Neutral
Price	+ Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	7.71	1.68
2013	29.21	-2.00
2012	14.31	-0.25
2011	3.44	4.19
2010	13.57	-0.09

AllianzGI NFJ Dividend Value Instl NFJEX

Analysis

its higher-yielding large-cap peers, demonstrating the fund's sensitivity to valuations. What's more, the fund's yield still surpasses the majority of its large-value peers', offering it an income advantage over the broader peer group.

The fund's telecom stake tripled to 6% of assets from February to April, driven partly by additional purchases of AT&T T. The managers thought the stock was trading at a discount to peers and its historical norm and liked that management raised the dividend. The team also bought the lower-yielding Verizon VZ in April, though its position is about half the size of AT&T's. The fund had long been light on financials relative to the benchmark, with dividend cuts and uncertainty about balance-sheet strength in recent years dimming their appeal. However, the managers have narrowed that gap a bit during the past year as banks have started returning more capital to shareholders, adding Citigroup C in late 2013. The fund's 12% non-U.S. stake is above the category norm and includes top holding Total TOT.

Performance Pillar: Positive

The fund's dividend focus means it invests in financially healthy companies that tend to hold up well in turbulent markets. Indeed, the fund has captured just 90% of the Russell 1000 Value Index's losses in down markets since the Institutional share class' 2000 inception. The fund's 3% gain in 2011's wayward market--a year in which its average peer lost 0.8%--illustrates its advantage in volatile markets. It also did better than nearly all peers during the bear market of the early 2000s. It wasn't as impressive in the 2007-09 financial crisis, though, as many firms cut their dividends, which weighed on returns.

Over the long run, this fund has kept pace with the benchmark and peers in up markets, but it won't lead in every market: It significantly lagged peers and the benchmark in 2009's low-quality rally and trailed to a smaller degree in 2010, 2012, and 2013, environments in which dividend-paying companies weren't favored. It's done better for the

year to date through May 27, landing in the top quartile as out-of-benchmark picks AstraZeneca and Total have given it a boost.

Long-term results remain strong. The oldest Institutional share class has gained 8.9% annualized from its May 2000 inception through May 27, one of the best records in the category and nearly 2 percentage points ahead of its benchmark. The strategy's separate account has also posted competitive returns since its 1989 inception.

People Pillar: Positive

The fund is subadvised by NFJ Investment Group, which was founded in 1989 and has 10 investment professionals. The firm employs a team-oriented approach, with each fund overseen by several managers. This approach should maintain stability in the event of future retirements or departures. NFJ co-founder Ben Fischer has served as lead manager since the fund's 2000 inception. He has more than 40 years of industry experience, previously serving as chief investment officer and portfolio manager at NationsBank and analyst at Chase Manhattan Bank and Clark, Dodge. Paul Magnuson joined the firm in 1992 after seven years at NationsBank. Tom Oliver, who previously worked at Perot Systems Corporation and Deloitte & Touche, joined in 2005. Burns McKinney arrived in 2006 after serving as a buy-side and sell-side analyst at various firms. Jeff Reed, a former credit analyst at Frost Bank, and Morley Campbell, a former analyst at Lazard Freres and Merrill Lynch, joined in 2007. Baxter Hines arrived in 2008, with previous experience at the Teachers Retirement System of Texas and Reuters.

Four of the seven managers have personally invested in the fund, including Fischer, who has more than \$1 million of his own money invested alongside shareholders. The managers who don't invest here have money in other NFJ funds they run, which use the same process.

Parent Pillar: Neutral

Allianz Global Investors has grown by acquisition since 1998, buying a handful of boutiques that operate independently and serve as subadvisors to roughly 50 Allianz funds in the United States. (Alli-

anz's PIMCO funds are excluded from this tally because they're distributed separately and receive a distinct Parent rating.) NFJ Investment Group runs much of the firm's U.S. assets and has a strong corporate culture. Its value- and dividend-focused approach has yielded good risk-adjusted performance. Elsewhere there are pockets of strength, including Allianz AGIC Convertible ANNPX and Allianz RCM Technology DRGT, but many funds have been middling or lack a long-term record.

In 2010, Allianz integrated back-office functions for three subadvisors and has since rebranded all funds as AllianzGI, dropping reference to all subadvisors except NFJ. Allianz has trimmed its lineup in recent years, merging or liquidating unsuccessful funds and occasionally moving assets to different subadvisors. But some new funds seem trendy, including the Managed Volatility suite. Firmwide, fees are average, but many share classes have above-average or high expense ratios. Manager ownership of fund shares has improved but is still not industry-leading. Allianz deserves credit for letting its subadvisors operate autonomously, but its Parent rating comes out at Neutral.

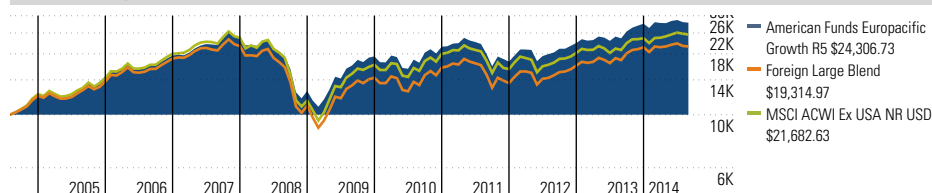
Price Pillar: Positive

About two thirds of the fund's assets fall in share classes priced below average relative to similarly distributed peers (A, Institutional, and C). The other share classes are priced average or above average relative to similarly sold peers. The fund keeps other costs in check. Its brokerage commissions as a percentage of net assets are below the category norm.

American Funds Europacific Growth R5 RERFX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
49.48	↑0.12 0.24	1.18	125.4	Open	\$250	None	0.54%	★★★★★	Foreign Large Blend	Large Growth

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally invests at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,102	9,825	11,192	13,685	15,472	24,307
Fund	1.02	-1.75	11.92	11.02	9.12	9.29
+/- MSCI ACWI Ex USA NR USD	-2.66	0.00	0.48	1.32	0.87	1.24
+/- Category	0.22	0.70	2.55	0.92	0.85	2.25
% Rank in Cat	47	18	16	31	30	11
# of Funds in Cat	798	823	777	677	610	320

* Currency is displayed in USD

Top Holdings 06-30-2014

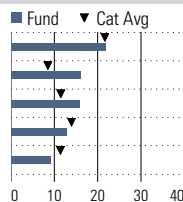
	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Novo Nordisk A/S	4.73	246.60 USD	-0.12 ↓	179.60 - 265.30
⊖ Bayer AG	2.51	95.41 USD	-2.33 ↓	81.82 - 106.80
⊖ SOFTBANK Corp	2.20	— USD	-0.62 ↓	6,030.00 - 9,320.00
⊖ Novartis AG	2.07	78.00 USD	-1.27 ↓	65.70 - 81.70
⊖ Prudential PLC	1.81	— USD	0.18 ↑	1,078.00 - 1,440.00

% Assets in Top 5 Holdings 13.31

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	21.90	21.90	17.64	20.74
Technology	16.16	16.16	11.31	7.60
Healthcare	15.73	15.73	13.57	10.56
Consumer Cyclical	12.85	13.99	12.85	13.04
Consumer Defensive	9.23	11.12	8.91	10.49

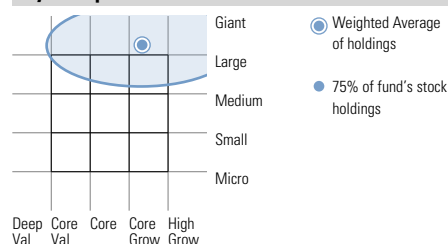
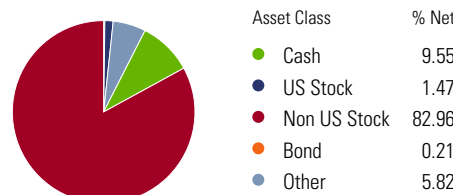

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	48.31	0.0000	0.0000	0.0000	0.5900	0.5900
2012-12-26	40.85	0.0000	0.0000	0.0000	0.8200	0.8200
2011-12-27	35.09	0.0000	0.0000	0.0000	0.7100	0.7100
2010-12-27	40.91	0.0000	0.0000	0.0000	0.6800	0.6800
2009-12-24	38.36	0.0000	0.0000	0.0000	0.7200	0.7200

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★★ Gold

Style Map

Asset Allocation

Management

	Start Date
Mark E. Denning	1991-12-31
Carl M. Kawaja	2001-06-01
Nicholas J. Grace	2002-06-01
Sung Lee	2002-06-01
Jesper Lyckeus	2004-12-31
Jonathan Knowles	2006-12-31
Andrew B. Suzman	2007-12-31
Christopher M. Thomsen	2008-12-31
Lawrence Kymisis	2014-06-01

American Funds Europacific Growth R5 RERFX

Analysis

This foreign-stock fund is in good hands.

By Kathryn Spica, CFA 1/8/2014

A slight change at the helm doesn't detract from American Funds EuroPacific Growth's appeal.

Stephen Bepler, a comanager on this fund since its April 1984 inception, retired at the end of 2013. While the departure of a long-tenured manager is a loss for the fund, it is no cause for alarm. The fund's nine other comanagers remain on the fund, and the firm plans to announce a replacement for Bepler shortly. The fund's current comanagers are an experienced bunch, with an average tenure of more than 21 years at the firm and 13 years at the fund, more than double the typical foreign-blend fund's average manager tenure. Roughly one quarter of the portfolio will continue to be managed by members of the firm's seasoned, sector-focused analyst team.

A sizable team is needed to handle this fund; at roughly \$121 billion in assets as of November 2013, it is the largest foreign-stock fund by a wide margin. Navigating a gigantic asset base is no easy task, and all of the fund's top-10 holdings are held at position sizes that are several multiples of their daily trading volume, creating a risk should the team need to exit a position quickly. Still, the team has gained experience handling the fund's girth, as the fund has reigned in its category as the largest by assets for the entire last decade. The managers handle independent sleeves of the fund's assets, using their own investing styles to create an overall portfolio that is well diversified across sectors and holds more than 275 stocks, keeping sector- and stock-specific risk to a minimum.

The fund's strong long-term record also speaks well for the team's ability. During the trailing 10- and 15-year periods through December 2013, the fund's 8.9% and 7.8% returns, respectively, rank in the foreign large-blend category's top quintile. And despite keeping a relatively hefty stake in the often more rocky emerging markets, the fund's results have been achieved with below-average volat-

ility. Combined with low expenses that provide a helpful head start, the team's demonstrated success makes this a worthy choice for foreign-stock exposure.

Process Pillar: Positive

This fund is easily the largest foreign-stock fund by total assets, but it is like that rare conglomerate that facilitates, rather than curtails, prudent risk-taking. American's multimanager approach allows comanagers to run each of their portfolios independently. While each manager employs his own philosophy, that style does not become a mandate that must then be fulfilled. As a result, managers are free to broadly pursue opportunities where they find them.

While the individual managers are free to apply their own investment philosophies, high turnover is the one practice that's expressly frowned upon. Turnover is usually less than 40% and positions are often held for five years or more. This long-term emphasis is an advantage for the fund, as it allows the managers the flexibility to buy stocks that may take several years to work out, versus many managers who limit themselves to stocks that have a nearer-term catalyst. In addition, a low level of turnover can help to keep trading costs in check.

American's managers have this freedom, in part, because their compensation is based upon a weighted one-, four-, and eight-year rolling average, with greater emphasis on the four- and eight-year periods. This is a far longer time horizon than is afforded most managers, many of whom look no further than three years out.

This fund limits volatility by maintaining an ultradiversified portfolio. With roughly 275 stocks in the portfolio, the fund has little security-specific risk. But that level of diversification means that there are few parts of the market that the fund doesn't touch. This can be an issue when there is a broad market correction.


Cash is typically 5% to 10% of assets, but it has risen to 15% or so during periods of market stress

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	1.02	0.22
2013	20.54	1.10
2012	19.57	1.28
2011	-13.33	0.63
2010	9.72	-0.52

American Funds Europacific Growth R5 RERFX

Analysis

or when the managers are not finding good values. However, this fund is not in any way timid. It often has one of the foreign large-blend category's largest emerging-markets stakes: At 14% of assets as of September 2013, the fund's exposure to emerging markets is nearly twice that of the group norm.

With more than \$121 billion in assets, the fund is easily the largest foreign-stock offering. As assets have grown, so has the fund's average market cap. While its average market cap was well below the category norm in the earlier part of the past decade, it is now close to the size of its typical peer. Still, some potential pitfalls of such girth have been avoided. The fund hasn't become a mirror of the MSCI All Country World ex USA Index, and it maintains a distinct portfolio compared with its bogy. The portfolio also holds roughly the same number of stocks today as it has throughout the past decade, suggesting the managers are not being forced to stretch to their lower conviction ideas.

Performance Pillar: Positive

Despite holding a larger-than-average stake in the lagging emerging markets, this fund held its own during 2013. The fund's 20.1% return for the year outpaced the 19.5% and 15.3% of its typical foreign large-blend peer and the MSCI All Country World Index ex USA, respectively. Selective stock-picking within the emerging markets helped to drive the fund's results during the year, as Chinese Internet firms Baidu BIDU and Tencent, both top-10 holdings, posted strong gains.

The fund has been remarkably consistent in its success, outpacing its category norm in 91% of rolling three-year periods since its 1984 inception, which lands the fund in its category's top quartile more than half of the time. That regular advantage adds up over time, and the fund's 10- and 15-year returns through December 2013 rank in the foreign large-blend category's top quintile.

The fund hasn't been more volatile than the norm over the long-term--all the more impressive given its generally heavy stake in emerging-markets

stocks--and its long-term risk-adjusted results are similarly impressive. Holding a significant allocation in cash and bonds helped provide downside protection during 2002 and 2008's downturns, although the fund did not have the same buffer during 2011's turbulent market and lost close to the same amount as its typical peer that year.

People Pillar: Positive

American Funds has been investing successfully overseas for years, and that continues with this fund, the firm's foreign-stock flagship. The fund's success owes to a talented management team, as well as analysts based around the world. The fund employs American's multimanager approach, with each of the listed managers independently running a sleeve of the portfolio.

Stephen Bepler, who has been a comanager since the fund's 1984 inception, retired at the end of 2013. While his departure is a loss for the team, the fund is still in capable hands. Nine comanagers remain, and they have an average tenure of more than 13 years with the fund, roughly double the average tenure across the foreign large-blend category. Six of the comanagers have been on the fund for more than a decade. The fund's newest additions, Andrew Suzman and Christopher Thomson, joined at year-end 2007. American has a long history of discovering and developing talent internally, and although Bepler's replacement has not been announced, the firm has an experienced bench of international-stock managers to tap.

In addition, the managers show their dedication to this strategy with their own assets. Every manager invests at least \$100,000 of their personal wealth in the fund, with three comanagers investing more than \$1 million, helping to align the managers' interests with shareholders'.

Parent Pillar: Positive

American Funds and parent Capital Group are adapting to changing markets. The firm has been subject to net outflows from 2008 to 2013, prompted, in part, by investors' embrace of index-based strategies and exacerbated by a middling showing in 2008.

But on matters of stewardship, American stands firm: Investors in its well-priced funds access some of the most experienced investment teams in the industry via the firm's signature multimanager system. Further, its incentive system supports long-term thinking, and its investment managers have meaningful stakes in their funds. The firm's equity offerings have delivered consistently impressive results.

New efforts at transparency should give investors better views into individual portfolio managers' contributions to their funds. The firm also continues its multiyear effort to make its multimanager model better fit the peculiarities of fixed-income investing. The bond team has made strides in recent years, though the efforts haven't established it as an industry leader.

The firm has also made over and grown its sales and marketing arms; investment personnel still remain firmly in control of Capital Group's strategic direction, though new explicit sales goals could marginally shift the firm's culture. The goals are modest--essentially keeping the firm apace with annual outflows--though they bear monitoring.

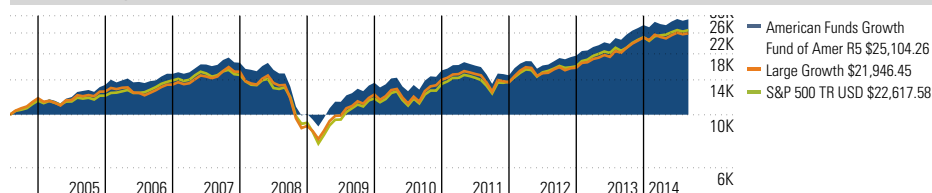
Price Pillar: Positive

The expense ratio on the fund's A shares is the foreign large-cap category's cheapest among actively managed and similarly distributed peers. All other share classes are also priced below the median of their similarly distributed competitors. As the largest foreign-stock fund, it's admirable to see fund shareholders share in the benefits of economies of scale that the fund enjoys.

American Funds Growth Fund of Amer R5 RGAFX

Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
45.43	↑0.26 0.58	0.54	139.8	Open	\$250	None	0.39%	★★★★	Large Growth	Large Growth

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks growth of capital. The fund invests primarily in common stocks and seeks to invest in companies that appear to offer superior opportunities for growth of capital. It may invest a portion of its assets in securities of issuers domiciled outside the United States. The investment adviser uses a system of multiple portfolio counselors in managing the fund's assets. Under this approach, the portfolio of the fund is divided into segments managed by individual counselors who decide how their respective segments will be invested.

Performance

YTD 1 Mo 1 Yr 3Yr Ann 5Yr Ann 10Yr Ann

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Amazon.com Inc	4.19	331.72 USD	-0.45 ↓	279.33 - 408.06
⊕ Gilead Sciences Inc	3.63	99.05 USD	2.79 ↑	56.25 - 99.40
⊖ Google Inc Class C	2.03	573.45 USD	-0.21 ↓	502.80 - 604.83
⊖ EOG Resources Inc	1.98	106.01 USD	2.00 ↑	75.69 - 118.89
⚡ Google Inc Class A	1.91	583.13 USD	-0.26 ↓	421.49 - 614.44
% Assets in Top 5 Holdings	13.75			

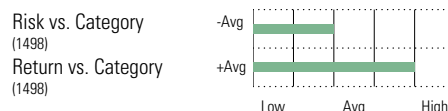
⊕ Increase ⊖ Decrease ⚡ New to Portfolio

Top Sectors 06-30-2014

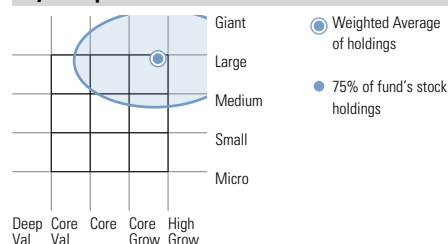
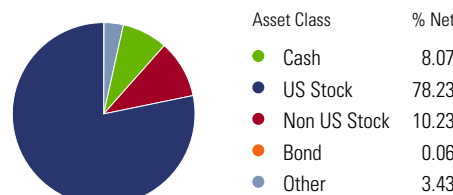
	Fund	3 Yr High	3 Yr Low	Cat Avg	
🖥 Technology	21.62	21.62	17.02	23.51	■ Fund ▼ Cat Avg
🏥 Healthcare	18.23	18.42	17.37	16.13	
🚗 Consumer Cyclical	17.35	20.04	17.11	16.94	
⚡ Energy	12.28	12.28	10.78	6.82	
⚙ Industrials	9.56	9.56	9.09	11.92	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-18	41.90	2.7500	0.0000	0.0000	0.2600	3.0100
2012-12-19	34.45	0.0000	0.0000	0.0000	0.3800	0.3800
2011-12-20	28.41	0.0000	0.0000	0.0000	0.3100	0.3100
2010-12-21	30.29	0.0000	0.0000	0.0000	0.3300	0.3300
2009-12-21	27.10	0.0000	0.0000	0.0000	0.2900	0.2900

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	🥉 Bronze

Style Map

Asset Allocation

Management

	Start Date
James F. Rothenberg	1988-11-01
Donald D. O'Neal	1993-11-01
Michael T. Kerr	1998-11-01
Donnalisa Parks Barnum	2001-11-01
J. Blair Frank	2001-11-01
Gregg E. Ireland	2004-11-01
Ronald B. Morrow	2004-11-01
Barry S. Crosthwaite	2007-11-01
James Terrile	2008-11-01
Bradley J. Vogt	2008-11-01
Carl M. Kawaja	2010-11-01
Martin Romo	2010-11-01

American Funds Growth Fund of Amer R5 RGAFX

Analysis

Veteran leadership and a viable game plan make this fund a solid offering.

By Alec Lucas 7/15/2014

American Funds Growth Fund of America is still competitive.

True, this large-growth fund is far from agile. Even with \$93 billion in outflows over the past five years through June 2014, its \$143 billion asset base remains the category's largest. The fund's girth makes it difficult to invest meaningfully in mid- and small-cap stocks. As of March 2014, they accounted for just 12.4% of assets versus 19.5% for the typical peer. In contrast, such stocks sometimes soaked up 25% of assets in the late 1990s and early 2000s, when the fund was much smaller. (Assets shot up more than fivefold between January 2003 and October 2007, reaching a high of \$202 billion.) Distinguishing itself from the index has also become more difficult. The fund's correlation with the Russell 1000 Growth Index has risen with its size. Though down somewhat lately, a 96.5 R-squared over the past five years still ranks near the category's top quintile.

What the fund lacks in agility it makes up in other ways. The fund's 12 managers are seasoned. Their average tenure of 10-plus years makes them one of the category's more experienced teams. American's management approach also makes the fund perhaps better equipped to handle size than most peers. As with all American funds, the managers and analysts oversee independent sleeves of the portfolio. The firm has taken tangible steps to maintain this independence too, as the fund's assets since the late 2000s have been evenly split between subsidiaries Capital Research Global Investors and Capital World Investors. Thus, there are two independent teams of managers and analysts at work here, which helps to accommodate the fund's massive size.

Although the fund's record has been mixed since the split, the approach has yielded solid results lately. After struggling to consecutive bottom-third category finishes in 2010 and 2011, the fund has

rebounded, led by strong health-care picks like Gilead Sciences GILD. A 15.1% annualized three-year return through July 20, 2014, ranks in the category's top quartile.

With veteran leaders and strong execution, this fund can remain viable.

Process Pillar: + Positive

The fund's 12 managers and two analyst teams follow a flexible-growth strategy in running separate portfolio sleeves. With some managers and analysts preferring traditional growth stocks, others fallen angels, and still others cyclical names, there is considerable variety within the fund.

Even with this variegated approach, a huge asset base makes it difficult for the fund to distinguish itself from the Russell 1000 Growth Index. In the past five years through June 2014, the fund had one of the large-growth category's higher R-squareds, indicating significant correlation with that index. Plus, the fund's girth makes it difficult to invest meaningfully in mid- and small-cap stocks, which soaked up as much as 25% of assets in the late 1990s and early 2000s, when the fund was considerably smaller.

Still, management differentiates the fund with its international stake, which may reach 25% of assets. As of May 2014, the fund had 11% of assets in foreign stocks versus the typical rival's 7.3%. The fund's foreign holdings tend to be firms with global sales and competitive advantages.

Turnover has averaged 28% during the past decade, with the managers often holding on to positions for five years or more. Thanks to a long-term perspective, managers give their investment theses time to develop rather than racking up transaction costs with many short-term trades.

The fund holds a diverse portfolio of roughly 275-300 stocks spread across market sectors, which has helped limit volatility over time. The managers' willingness to hold cash and bond stakes when equity opportunities are scarce has created a protective buffer in down markets. Cash is typic-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	+ Positive
Performance	+ Positive
People	+ Positive
Parent	+ Positive
Price	+ Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	5.77	1.14
2013	34.20	0.28
2012	20.92	5.58
2011	-4.59	-2.13
2010	12.63	-2.90

American Funds Growth Fund of Amer R5 RGAFX

Analysis

ally 5%-10% of assets but has risen to roughly 15% during periods of market stress.

While the fund is well-diversified, it still distinguishes itself from the benchmark and category peers in some ways. The fund has an above-average stake in energy stocks, including international oil and gas firms such as Canadian Natural Resources CNQ and Dutch firm Core Laboratories CLB, which has a wide Morningstar Economic Moat Rating. The fund also has a higher weighting in health care, driven by a hefty slice of biotech firms. That includes a large position in Gilead Sciences, which provides HIV therapies, and smaller allocations to mid-cap firms including Biomarin Pharmaceutical BMRN, which focuses on rare disease treatments.

With about \$140 billion in assets, the fund is easily the large-growth category's biggest offering. Assets are down from their peak of \$202 billion in October 2007, but the fund's girth still limits its flexibility. It is difficult for the managers to invest significantly in mid-cap stocks, which currently stand at 12% of assets, about 6 percentage points less than the category average.

Performance Pillar: Positive

The fund has a strong long-term track record. Starting in January 2002, when five of the current 12 managers were in place, the fund's 7.4% annualized gain through July 10, 2014, outpaces the Russell 1000 Growth Index by 1.2 percentage points and lands in the large-growth category's top quintile. That record has come with below-average risk, as the fund's Sortino ratio (a risk-adjusted performance measure) also ranks within the group's top quintile.

The fund is prone to short-term bouts of underperformance. That occurred from 1994 to 1997, when current managers James Rothenberg and Donald O'Neal were with the fund, and, more recently, from 2010 to 2011, when the fund finished in the category's bottom third two calendar years in a row. In 2010, health-care picks like Gilead Sciences hurt. Its share price dropped over 16% and played a meaningful role in limiting the fund to a

12.3% return, which underperformed the index by 4.4 percentage points.

Yet, management's patience with such holdings and its willingness to add to positions with declining share prices has led to long-term success. That's what happened with Gilead Sciences, a top-10 holding since year-end 2011. Enthusiasm for its newly acquired hepatitis C drug therapy sent Gilead's stock soaring in 2012 and 2013, helping to propel the fund's top-quartile 15.1% annualized three-year return.

People Pillar: Positive

American Funds' multimanager system helps to accommodate this fund's massive \$140 billion asset base. Capital Group, the parent of American Funds, evenly splits these assets between subsidiaries Capital Research Global Investors and Capital World Investors. Donald O'Neal heads up CRGI's team, which includes J. Blair Frank, Barry Crosthwaite, James Terrile, and Bradley Vogt, while Michael Kerr heads up CWI's team, comprising James Rothenberg, Donnalisa Barnum, Gregg Ireland, Ronald Marrow, Carl Kawaja, and Martin Romo. Each manager oversees a separate sleeve of the portfolio, with O'Neal and Kerr helping to ensure that their respective teams are balanced by differing investing styles. The combined 12-person team has an average tenure of 10-plus years, making it one of the more experienced in the large-growth category. The CRGI and CWI teams are each supported by about 25 analysts, with each analyst group also responsible for its own slice of the portfolio.

While there are opaque aspects to the multimanager system (funds can have unnamed managers who each run up to 5% of assets), it often makes for smooth transitions when managers depart. That's happened on a number of occasions here since 2009, with half of the departures due to the retirement of long-tenured managers.

All 12 managers have at least \$500,000 in the fund, with nine investing over \$1 million.

Parent Pillar: Positive

American Funds and parent Capital Group are ad-

apting to changing markets. The firm has been subject to net outflows from 2008 to 2013, prompted, in part, by investors' embrace of index-based strategies and exacerbated by a middling showing in 2008.

But on matters of stewardship, American stands firm: Investors in its well-priced funds access some of the most experienced investment teams in the industry via the firm's signature multimanager system. Further, its incentive system supports long-term thinking, and its investment managers have meaningful stakes in their funds. The firm's equity offerings have delivered consistently impressive results.

New efforts at transparency should give investors better views into individual portfolio managers' contributions to their funds. The firm also continues its multiyear effort to make its multimanager model better fit the peculiarities of fixed-income investing. The bond team has made strides in recent years, though the efforts haven't established it as an industry leader.

The firm has also made over and grown its sales and marketing arms; investment personnel still remain firmly in control of Capital Group's strategic direction, though new explicit sales goals could marginally shift the firm's culture. The goals are modest—essentially keeping the firm apace with annual outflows—though they bear monitoring.

Price Pillar: Positive

Fees here are attractive but not what they could be. True, the A shares' 0.70% 2013 expense ratio, which applied to roughly half of the fund's assets, was 50 basis points below the large-cap front-load peer median and lower than 97% of those peers. It's also true that 12 of the remaining 15 share classes sported Low expense ratios versus similarly distributed rivals. In addition, investors benefited from modest trading costs, as brokerage fees of 0.04% of average net assets were less than half the category norm. However, taking into account a \$143 billion asset base, the biggest in

American Funds Growth Fund of Amer R5 RGAFX

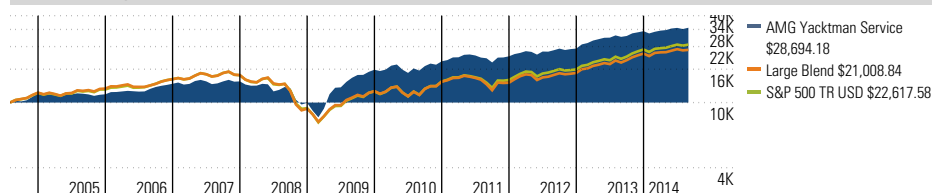
Analysis

the large-growth category, this fund's price tag could be even lower.

AMG Yacktman Service YACKX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
24.72	↑0.02 0.08	0.85	14.0	Limited	\$2,500	None	0.74%	★★★★	Large Blend	Large Blend

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks long-term capital appreciation and, to a lesser extent, current income. The fund invests primarily in domestic equity securities. It also may invest in foreign equity securities and debt securities. The fund may invest up to 20% of its assets in foreign equity securities. Its investments in equity securities may include common stocks, preferred stocks, convertible preferred stocks and ADRs. It may invest up to 20% of its assets in such debt securities, including junk bonds, in any proportion provided that the total invested does not exceed the 20% threshold.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,501	9,944	11,050	15,863	20,646	28,694
Fund	5.01	-0.56	10.50	16.63	15.60	11.12
+/- S&P 500 TR USD	-2.12	0.37	-7.92	-4.36	-1.09	2.61
+/- Category	-0.79	0.58	-6.09	-2.69	0.41	3.11
% Rank in Cat	69	12	98	86	42	1
# of Funds in Cat	1,631	1,691	1,570	1,335	1,199	796

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ PepsiCo Inc	8.20	91.68 USD	-0.12 ↓	77.01 - 93.09
⊕ Procter & Gamble Co	6.05	81.73 USD	-0.27 ↓	73.61 - 85.82
⊖ Twenty-First Century Fox Inc Class A	5.20	35.81 USD	0.14 ↑	30.67 - 36.43
Coca-Cola Co	5.09	40.86 USD	1.69 ↑	36.83 - 42.57
Cisco Systems Inc	4.83	24.43 USD	-0.47 ↓	20.22 - 26.08
% Assets in Top 5 Holdings	29.36			

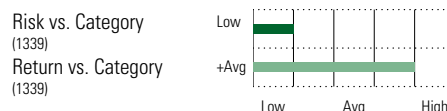
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

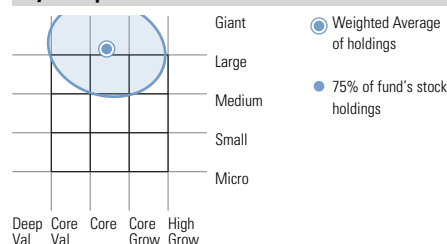
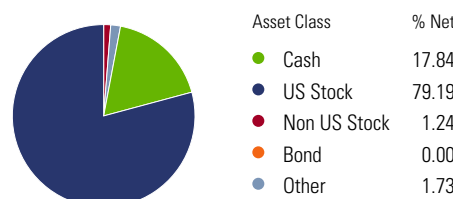
	Fund	3 Yr High	3 Yr Low	Cat Avg
🏠 Consumer Defensive	35.40	35.40	35.11	9.91
💻 Technology	18.80	18.80	15.58	16.52
🚗 Consumer Cyclical	14.31	18.26	14.31	10.44
🏥 Healthcare	14.05	17.53	14.05	13.57
🏦 Financial Services	6.74	7.40	6.71	15.45

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	23.43	0.5400	0.1200	0.0000	0.2100	0.8800
2012-12-26	19.08	0.0100	0.0000	0.0000	0.1400	0.1500
2012-06-27	18.23	0.1200	0.0000	0.0000	0.1100	0.2300
2011-12-29	17.57	0.0500	0.0100	0.0000	0.1800	0.2400
2010-12-30	16.53	0.4300	0.0200	0.0000	0.1500	0.6000

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	★ Gold

Style Map

Asset Allocation

Management

	Start Date
Donald A. Yacktman	1992-07-06
Stephen A. Yacktman	2002-12-31
Jason Subotky	2009-12-31

AMG Yacktman Service YACKX

Analysis

This fund is right where you'd expect it to be.

By Kevin McDavitt, CFA 3/28/2014

Yacktman is positioned to do what it does best.

This recently closed fund has had its biggest outflows in more than 10 years, but those who left may eventually look back with regret. The nearly \$190 million in combined January and February outflows didn't have much impact on the fund, given its 21% cash stake and \$13.5 billion in assets. If anything, the outflows eased pressure on an asset base that has exploded during the past five years. Rapid asset growth led management to close the fund to new investors in December 2013. The move was made in part to preserve the flexibility to buy mid-cap stocks, but that flexibility is already limited. This fund and sibling Yacktman Focused YAFFX together have \$25 billion in assets, which would make the combined fund the third-largest actively managed large-blend offering.

True, the fund has underperformed during the post-2011 rally, but this is to be expected. Early profit-taking is an occupational hazard for this value-oriented team, which did much the same during the late-1990s bubble and again during the mid-2000s bull market, leading to similarly poor relative results. Then as now, cash was often greater than 20%, which can be a significant drag during rallies.

But that cushion, along with a conservatively positioned portfolio, leaves the fund well prepared for the next bear market. Believing that record-high corporate margins will eventually revert to the historical mean, the team has been gradually selling cyclical stocks since the bull market began five years ago. In March 2009, cheap cyclicals were half the equity portfolio and they helped the fund participate fully in the subsequent rally. They've recently trimmed cyclicals, such as Janus Capital JNS, as their price multiples have expanded. As of December, cyclicals had fallen to 23% of the equity portfolio. Meanwhile, they've added to slow-growth technology and consumer staples companies such as Pepsi PEP.

The fund's conservatism has often held it back late in rallies, but has also spurred excellent returns over full market cycles. It's in position to excel once again.

Process Pillar: Positive

This fund sometimes gets the high-quality label, but price and valuation are what matter most here. That said, the team's preference for companies with strong free cash flows, reasonable debt, high returns on capital, and modest cyclicality tends to lead them to high-quality consumer staples and discretionary (media, in particular) companies. The team thinks of stocks as junior bonds and compares their free-cash-flow yields with those of AAA rated corporates. Once a stock is in the portfolio, management is reluctant to sell because high-quality companies tend to compound capital at attractive rates. This leads to low turnover. On the other hand, if they cannot find new, cheap stocks to buy, they will let cash build to 20% or more of assets.

Capacity has become more of a concern as assets have soared from \$260 million in March 2009 to \$13.6 billion. This isn't an immediate issue, though, given the portfolio's low turnover and current focus on liquid large-cap stocks. But the fund has grown too big to invest meaningfully in small- and mid-cap stocks as it did in the late 1990s. Back then, the fund loaded up on mid- and small-cap stocks given their compelling valuations versus large caps. Now, the team likely wouldn't have the flexibility to take meaningful positions in such stocks even if valuations became attractive. That's especially true if the team plans to maintain the relatively concentrated portfolio for which it's known.

In some ways, this is one of the more concentrated large-blend offerings. The fund has 48% of its assets in its top-10 holdings, which is nearly double the category median. Plus, the fund sticks to just a few sectors given the team's preference for companies with competitive advantages that aren't very economically sensitive. This has led to big stakes in consumer-oriented and, recently,

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	5.01	-0.79
2013	27.74	-3.76
2012	11.47	-3.49
2011	7.30	8.57
2010	12.64	-1.37

AMG Yacktman Service YACKX

Analysis

technology shares. Branded consumer staples and discretionary stocks represent more than half the equity portfolio versus less than a quarter of the S&P 500 Index.

But the fund is marshaling its defenses. This shows in the shifting balance between staples and discretionary stocks. Since peaking at nearly 31% of the equity portfolio in March 2009, economically sensitive discretionary stocks dropped to 17.5% in December 2013 with management trimming Twenty-First Century Fox FOXA during the quarter, which split from News Corp NWSA the prior June. Meanwhile, the team has added to recession-resistant staples such as Procter & Gamble PG and Coca-Cola KO, taking the staples weighting to more than 34% of the equity portfolio from 23% in March 2009. Granted, this weighting is more than triple that of the S&P 500, but consumer staples are a relatively safe sector and valuations are reasonable relative to the broader market. Moreover, management has also been accumulating cash, which at 21% of assets is at its greatest level since June 2007.

Performance Pillar: Positive

This fund's long-term returns are exceptional. Since its 1992 inception, the fund's 10.7% annualized return through February 2014 beats the large-blend average (8.1%) by a robust 2.6 percentage points. It has topped the S&P 500 Index's 9.4% return by nearly 1.4 percentage points.

Plus, the fund has delivered these high returns without high risk. This owes to management's preference for high-quality companies, its valuation consciousness, and a penchant for building big cash stakes when equity valuations get stretched. Therefore, despite maintaining a relatively concentrated portfolio, the fund's 15-year standard deviation, a measure of volatility, is slightly below the category average.

Keep in mind, though, that as with most highly differentiated, successful funds, this one has gone through its share of dry spells. Indeed, it has been left for dead on more than one occasion, including during both the late 1990s and the mid-2000s, and

again during the past two years. While the fund's managers are not deep contrarians, their value leanings and the fund's concentrated portfolio can leave it out of step with the broader market, especially in the latter stages of bull markets when the team often gets defensive. But this defensiveness led to outstanding relative returns during the 2000-02, 2008, and 2011 bear markets. Any lost gains during rallies have been more than made up for on the downside.

People Pillar: Positive

This fund ensured management continuity when its advisor Yacktman Asset Management sold itself to Affiliated Managers Group AMG in the third quarter of 2012. That deal locked in the fund's three managers as each signed a 10-year employment contract as part of the agreement. Crucially, the team also retained full investment authority, so there won't be any change in the fund's strategy.

That's encouraging considering Don Yacktman, Stephen Yacktman, and Jason Subotky's long-term investment success. But with Don Yacktman in his early 70s, it crucially addresses succession planning as well. Although the senior Yacktman has no plans to retire, the fund should be in good hands when that day comes. His son Stephen Yacktman has worked with him since 1993 and has been a comanager since year-end 2002. Subotky has only been a comanager since year-end 2009, but he has been with the firm since 2001. Plus, the team strengthened its bench when it hired a new analyst in August 2013, the firm's first new hire since Subotky in 2001.

Investors also should be heartened by the trio's level of investment in the funds, although it comes with a caveat. While the managers do not invest at all in this fund, all three maintain positions of more than \$1 million in Yacktman Focused, which is essentially a more concentrated version of this offering. If anything, this shows a greater level of conviction in what they're doing.

Parent Pillar: Neutral

Formerly Managers Funds, AMG Funds changed its name in 2014; today all offerings in the AMG

Funds lineup carry the AMG moniker. The wholly owned subsidiary of Affiliated Managers Group Inc. also hired Jeffrey Cerutti to fill a newly created CEO position. Cerutti's background is in distribution, previously having worked for Virtus Investment Partners. A rebranding effort and CEO with distribution chops, along with AMG Inc.'s routine of growing its assets through acquisition, could indicate growth is front and center at this fund family. Meanwhile, expenses here remain average overall, with a slight skew toward above-average and high fees.

AMG Funds and AMG Inc., however, also have long partnered with strong investment managers. AMG Inc. historically has contributed distribution, marketing, and servicing both through AMG Funds and when funds are offered independently, while leaving investment management to the affiliate managers. That being said, some of the AMG Funds use unaffiliated subadvisors; these funds carry both the AMG and "Managers" name.

AMG Funds' manager-ownership of fund shares has improved. The Yacktman funds have helped: They have grown (but are now closed to new investors) and have high manager coinvestment. Now 66% of firm assets are invested in funds in which at least one manager has more than \$1 million invested, from 30% in early 2013.

Price Pillar: Positive

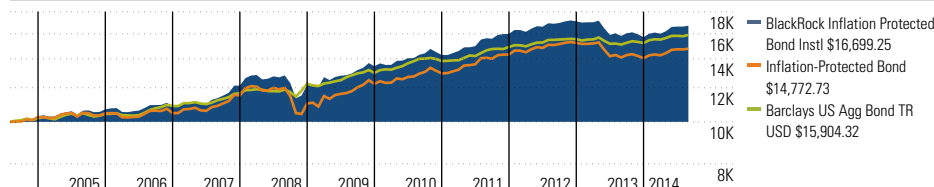
This fund offers a talented investment team at an attractive price. Its 0.74% expense ratio is near the cheapest quartile of actively managed large-blend funds and is 23 basis points below the group median. As a result, Morningstar rates the fund's overall Fee Level as Below Average. Plus, the fund's low turnover keeps brokerage commissions below those of the category average.

BlackRock Inflation Protected Bond Instl BPRIX

Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
11.27	↑0.01 0.09	2.18	2.6	Open	\$2	None	0.44%	★★★★★	Inflation-Protected Bond	

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks to maximize real return, consistent with preservation of real capital and prudent investment management. The fund invests at least 80% of assets in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and U.S. and non-U.S. corporations. It may invest up to 20% of its assets in non-investment grade bonds or securities of emerging market issuers. The fund maintains an average portfolio duration that is within ±20% of the duration of the Barclays U.S. Treasury Inflation Protected Securities Index (the benchmark). It is non-diversified.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,630	10,046	10,468	10,554	13,050	16,699
Fund	6.30	0.46	4.68	1.81	5.47	5.26
+/- Barclays US Agg Bond TR USD	1.86	-0.22	-0.47	-0.93	0.91	0.51
+/- Category	0.96	0.06	0.66	0.68	0.54	0.85
% Rank in Cat	28	58	30	18	22	5
# of Funds in Cat	219	227	219	193	151	65

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
⊕ US Treasury TIP 0.125%	6.74	01-15-2022	168.18	169.35
⊕ US TREASURY TIP	6.44	01-15-2025	132.53	162.01
⊖ US TREASURY TIP	6.37	01-15-2024	154.15	160.16
⊕ Germany (Federal Republic Of) 1.71474%	5.82	04-15-2016	103.44	146.23
⊕ US Treasury TIP 1.125%	5.52	01-15-2021	127.47	138.77
% Assets in Top 5 Holdings	30.88			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

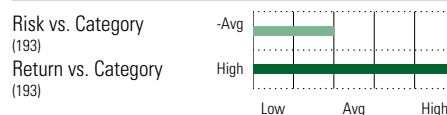
Top Sectors 06-30-2014

	Fund	BMark	Cat Avg	
U.S. Treasury Inflation-Protected	71.58	—	35.25	■ Fund ▼ Cat Avg
Non U.S. Treasury	9.83	—	4.12	
U.S. Treasury	7.09	—	39.35	
Non-Agency Residential MBS	0.70	—	0.40	
Commercial MBS	0.39	—	0.82	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-07-31	11.23	0.0000	0.0000	0.0000	0.0400	0.0400
2014-06-30	11.27	0.0000	0.0000	0.0000	0.0400	0.0400
2014-05-30	11.29	0.0000	0.0000	0.0000	0.0800	0.0800
2014-04-30	11.12	0.0000	0.0000	0.0000	0.0100	0.0100
2014-03-31	10.98	0.0000	0.0000	0.0000	0.0000	0.0000

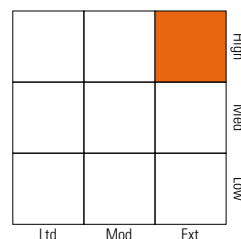
3 Year Average Morningstar Risk Measures



Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊖ Neutral
Price	⊖ Neutral
Rating	Bronze

Style Map 03-31-2014



Bond Statistics

	Value
Average Effective Duration (Years)	7.15
Average Effective Maturity (Years)	10.53
Average Credit Quality	AA
Average Weighted Coupon	1.45
Average Weighted Price	113.58

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	-10.09	22.89	12.80	—	1.70
● US Stock	0.00	0.00	0.00	—	-0.16
● Non US Stock	0.00	0.00	0.00	—	0.25
● Bond	109.87	0.30	110.17	—	97.22
● Other	0.23	0.21	0.43	—	0.99

Management

	Start Date
Martin Hegarty	2010-07-16
Gargi Pal Chaudhuri	2014-06-27

BlackRock Inflation Protected Bond Instl BPRIX

Analysis

Edging out its peers with less volatility.

By Eric Jacobson 3/14/2014

BlackRock Inflation Protected Bond has found an attractive balance.

Comanagers Brian Weinstein and Martin Hegarty think of this as a mostly pure play on inflation-protected bonds. That stands in some contrast to peers who take on various credit risks.

That distinction is not quite the same as being plain-vanilla. For one, the managers sprinkle the portfolio with other U.S. and foreign government obligations. In early 2013, for example, they were sour on the intermediate portion of the curve and instead added real-rate exposure in Germany and Italy, together 5% of the portfolio. They also expected the euro to weaken over the year and shorted that currency as a hedge against their Italy position, in particular.

In addition to the non-U.S. exposure, the managers make yield-curve plays and bet on the relationship of conventional Treasury yields and yields on Treasury Inflation-Protected Securities. In 2011, these efforts fell flat when the market foiled a curve-flattening trade, and the fund reversed its bet at the wrong time. Such plays did pay off during 2012, though, as the fund managed its exposures relative to the market well over most of the year. In early 2013, the team shorted real-rate exposure in the short and intermediate portions of the curve, while taking positive exposure to real rates in the 30-year range (and hedging out much of the fund's conventional Treasury risk at that maturity).

Those efforts have worked well overall. In fact, 2011 was the only year in which the fund's returns dipped into the middle of the category--it suffered a notable loss in 2013, but still bested two thirds of its peers--and its record from its late-June 2004 inception through February 2014 is very good. The portfolio posted a 5.5% annualized gain over that stretch, beating the Barclays U.S. TIPS Index and all but a few rivals. Given the fund's for-

ays out of the U.S. and into currency plays though, its record of modest volatility is even more impressive. The fund's standard deviation since inception is among the lowest of those with a record that long.

Process Pillar: Positive

Managers Brian Weinstein and Martin Hegarty look to keep this fund a nearly pure play on inflation-linked bonds by generally avoiding spread sectors and credit risk. That said, they do make active bets, not only on the market for real (inflation-linked) rates but also on the conventional Treasury market--and the relationships between the two. They use a variety of tools to make those bets, including options strategies. Overall, their intent is to use macro-themed strategies for the majority of the portfolio's "risk budget" (and thus return drivers) and to supplement those with security selection and tactical trading around market-technical events.

The fund also takes active currency positions. Weinstein and Hegarty don't want those to have too much influence on the fund's performance, but expect these stakes to contribute 20% to 25% of the fund's excess returns. The team has also been known to dabble in other markets, including small stakes in Italy and Greece, for example, when valuations have looked particularly compelling, and has often hedged those positions' currency exposures by shorting the euro.

The team's investment process benefits from the input of BlackRock's global team of sector specialists and portfolio teams. This includes exposure to a variety of periodic market-outlook and strategy meetings, as well as weekly meetings with speakers determined to challenge the team's outlook.

At any given time this portfolio implements different macro themes by adjusting its allocations across the TIPS spectrum. It employs a variety instruments (such as futures and options) to take advantage of differences between real and nominal interest-rate curves or the term structure of either curve, for example.

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Neutral

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold	 Silver	 Bronze	Neutral	Negative
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Fund Performance

	Total Return %	+/- Category
YTD	6.30	0.96
2013	-8.11	-0.25
2012	6.94	0.49
2011	11.88	0.95
2010	6.23	0.29

BlackRock Inflation Protected Bond Instl BPRIX

Analysis

During the first half of 2012, Brian Weinstein and Martin Hegarty expected that the break-even rate between TIPS and conventional Treasuries would widen and kept the fund's duration short of its benchmark, the Barclays Global Real: U.S. TIPS Index, which helped during the first quarter. The team felt that the Fed's quantitative-easing efforts had really distorted the prices of intermediate rates, in particular, driving them to unreasonable lows. By contrast, they viewed real yields at the longer end of the curve as structurally undervalued, and they placed bets there.

The team, meanwhile, has had a long-term hypothesis that Japanese real rates were due to compress, thanks to policies undertaken by the country's central bank. Poor liquidity in inflation-protected Japanese bonds put them off, but a strong correlation between real-rate valuations and currencies otherwise convinced them that a short position on the yen would make for a suitable substitute to express their views. They began that trade around the end of first-quarter 2012, maintained it until early 2013, and employed it again through the year's second half.

Performance Pillar: Positive

If there's been a low point for the fund it would be 2011, though that year wasn't really bad, with an 11.9% return for its Institutional shares that placed around the middle of the inflation-protected bond pack. Comanager Martin Hegarty has noted that the fund's duration and yield-curve shifts worked at cross purposes with the market that year. Those decisions left the fund trailing the Barclays U.S. TIPS Index by roughly 200 basis points for the year.

Yields spiked in early 2012, though, giving the fund a leg up. By the year's second half, the team favored long TIPS--an area it viewed as cheap--and that paid off. A decision to short the yen (as a substitute for real rate exposure in Japan) also helped. The fund ended 2012 with a category- and index-beating 6.9% gain. And while 2013 was ugly for TIPS funds, this team navigated the year better than most. The team edged out most rivals and its index thanks in part to a summer TIPS under-

weighting and a decision to short the yen for most of the year.

The fund's overall record reflects a long stretch of success. It did quite well in the mid-2000s, and its returns since its 2004 inception clock in at an annualized 5.5%, which betters both the Barclays U.S. TIPS Index and all but a few category rivals. Perhaps even more important, the fund's volatility registers among the lowest in the category over this fund's lifespan.

People Pillar: Positive

Lead manager Brian Weinstein joined the fund in January 2005, shortly after its mid-2004 launch. Weinstein had comanaged BlackRock International Bond BILAX and is head of the firm's institutional multisector-bond portfolios. He's also the co-head of BlackRock's inflation-linked strategies. Weinstein's experience predates his time on this portfolio. He joined BlackRock in 2000 as an analyst in the firm's portfolio analytics group, became a portfolio manager in 2002, and spent a year in London leading integration efforts for the firm's portfolio management group with what was then Merrill Lynch Investment Managers.

Martin Hegarty became comanager of the fund in 2010, and he has been co-head of BlackRock's global inflation-linked portfolios since that time. Prior to joining the firm, he was a TIPS market maker within the global rates and currencies group at Bank of America since 2003. He held an associate role in a similar group at Merrill Lynch in London before that, acting as a market maker in European, Scandinavian, and U.K. inflation-linked bonds.

Weinstein and Hegarty draw on BlackRock's taxable fixed-income teams and the firm's deep risk-management operation. That includes a global rates team that numbers 36 people, as well as the firm's risk and quantitative analysis group, which helps monitor diversification of risks and consistency across portfolios.

Parent Pillar: Neutral

BlackRock BLK is a great entrepreneurial story, but its investment culture has lagged its business suc-

cesses.

BlackRock began as a fixed-income manager at private equity firm Blackstone BX in the 1990s and has rapidly grown into the largest asset manager in the world with nearly \$4 trillion in assets. BlackRock's leaders consistently talk of putting clients first. The firm has unmatched scale and breadth. Though the family has a few regulatory pimples, there are no huge blemishes. The family also has a sound fund board in the United States.

Yet BlackRock still hasn't effectively harnessed its prowess for fundholder benefit. The firm's three-, five-, and 10-year success rates, which measure the percentage of funds that survive and outperform their category averages during the time periods, are poor. Personnel turnover continues: The family's five-year manager retention rate of 88% is lower than most of the largest 20 mutual fund families. Managers invest more in the funds they run than they used to, but still less than counterparts at other big firms. Fees, while not high relative to other similarly sold offerings, are on average middling. The firm doesn't chase every fad but is involved in many trends, and it has made retail asset growth a priority.

BlackRock has many advantages, but has yet to forge a fund family that matches its capabilities. It gets a Neutral parent grade.

Price Pillar: Neutral

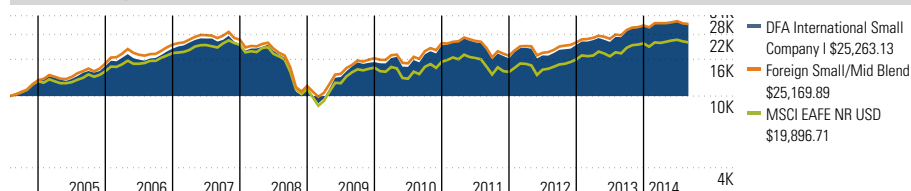
Beyond small chunks of assets in the fund's other share classes (including roughly \$350 million in the C shares and \$370 million in the BlackRock class, which requires a \$5 million minimum investment), the fund's largest allocations are in its Institutional and A shares, each of which holds between 35% and 40% of the take. Investors in those classes get a reasonable deal with expense ratios that have Morningstar Fee Levels of Average (0.44%) and Below Average (0.76%), respectively.

DFA International Small Company I DFISX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
19.65	↑0.08 0.41	1.74	9.4	Open	—	None	0.54%	★★★	Foreign Small/Mid Blend	Mid Blend

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks long-term capital appreciation. As a non-fundamental policy, under normal circumstances, the International Small Company Portfolio, through its investments in the underlying funds, will invest at least 80% of its net assets in securities of small companies. The International Small Company Portfolio and each underlying fund may invest in affiliated and unaffiliated registered and unregistered money market funds to manage its cash pending investment in other securities or to maintain liquidity for the payment of redemptions or other purposes.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,286	9,713	11,478	14,241	17,711	25,263
Fund	2.86	-2.87	14.78	12.51	12.11	9.71
+/- MSCI EAFE NR USD	1.47	-0.11	4.67	0.90	3.53	2.59
+/- Category	0.72	-0.31	2.54	-0.10	-0.20	0.32
% Rank in Cat	39	71	19	50	48	24
# of Funds in Cat	85	94	82	67	57	26

* Currency is displayed in USD

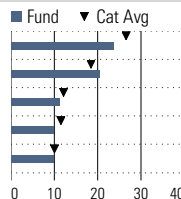
Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Ashtead Group PLC	0.36	907.50 USD	1.45 ↑	576.00 - 991.50
⊕ Cobham PLC	0.32	294.50 USD	0.72 ↑	227.50 - 329.20
⊕ Taylor Wimpey PLC	0.30	115.50 USD	0.61 ↑	96.85 - 134.50
⊕ Inmarsat PLC	0.30	699.00 USD	-0.50 ↓	633.45 - 784.00
⊕ Vestas Wind Systems A/S	0.29	259.60 USD	-0.65 ↓	95.90 - 303.00
% Assets in Top 5 Holdings	1.56			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏭 Industrials	23.73	23.73	22.39	25.63
🛒 Consumer Cyclical	20.35	21.68	19.50	17.54
🏦 Financial Services	11.30	11.58	11.15	11.21
💻 Technology	9.91	9.92	9.22	10.61
🏠 Basic Materials	9.83	12.84	9.81	9.11



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-09	20.34	0.0000	0.0000	0.0000	0.1100	0.1100
2013-12-12	18.35	0.4800	0.0600	0.0000	0.2300	0.7700
2013-09-10	18.34	0.0000	0.0000	0.0000	0.0100	0.0100
2013-06-10	16.80	0.0000	0.0000	0.0000	0.2300	0.2300
2013-03-08	16.75	0.0000	0.0000	0.0000	0.0000	0.0000

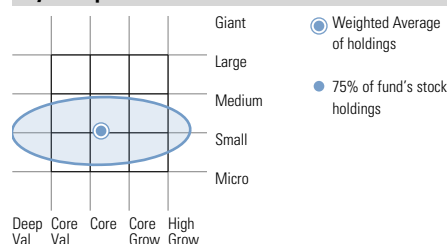
3 Year Average Morningstar Risk Measures



Pillars

Process	⊕ Positive
Performance	⊖ Neutral
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Silver

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	0.68	0.00	0.68	0.03	4.48
● US Stock	0.16	0.00	0.16	0.35	1.68
● Non US Stock	90.98	0.00	90.98	99.21	92.62
● Bond	0.00	0.00	0.00	0.00	0.56
● Other	8.17	0.03	8.20	0.41	0.67

Management

	Start Date
Karen E. Umland	1998-12-31
Joseph H. Chi	2010-02-28
Jed S. Fogdall	2010-02-28

DFA International Small Company I DFISX

Analysis

This passively managed international small-cap fund benefits from DFA's trading expertise.

By Abby Woodham 3/19/2014

DFA International Small Company offers a low-cost diversified portfolio of about 4,300 small-cap stocks from international developed markets. This fund does not attempt to select stocks or time the market, and instead aims to provide broad market-cap-weighted exposure to small-cap equities outside the United States. The fund's very low expense ratio is significantly cheaper than the category median of 1.26%. This fund is a solid choice for international small-cap exposure, and we've awarded it a Morningstar Analyst Rating of Silver.

Unlike true passively managed funds, which aim to replicate the performance of an index, this fund's managers have some flexibility when deciding whether to allow a stock into the fund. The fund is not forced to buy and sell securities when its benchmark changes, as it would if its mandate was to track an index. This flexibility allows the fund to invest in smaller firms than index-trackers can. As a result, this fund's portfolio market cap is below the category median, giving investors purer access to small companies and even minor exposure to micro-cap firms. Although the fund is almost perfectly correlated with its bogey, its flexibility in buying and selling securities historically has resulted in outperformance relative to its benchmark, the MSCI World ex USA Small Cap Index, even after fees. Over the past 10 years through the end of February, this fund returned 9.6% annualized compared with its benchmark's 9.1%.

The fund's small-cap strategy is rooted in academic research that shows that excess return can come from exploiting risk factors. One of those risk factors is size, as small-cap stocks may offer superior return over long time horizons compared with large-cap stocks. During the past 50 years, the average annual return of international small caps bested large and midsize companies. The degree of outperformance varies depending on the start and finish points. Smaller companies generally offer higher return in exchange for more volat-

ility than the broad market, so this fund is most suitable for long-term investors with high risk tolerance.

Process Pillar: Positive

This mutual fund is structured as a fund of funds, investing in five master funds of small-cap stocks from five developed regions: Canada, Japan, the United Kingdom, continental Europe, and Asia-Pacific. The fund weights each master fund by the small company market cap of each region.

Each regional fund selects from the bottom 10%-15% of the market, with a minimum market cap of \$50 million. Most comparable funds are unable to invest in companies with a market cap under \$100 million. The fund's managers have discretion in modifying constituents and their weightings after considering liquidity, profitability, and other factors. Academic studies have shown that stocks that are added to an index typically underperform while stocks that fall out of an index outperform. Not only does this fund's trading strategy and flexible approach avoid that impediment, it may actually profit from it.

DFA has built out its own trading platform over the past decade, and now more than 90% of DFA's trading is done on its proprietary platform, versus less than 50% 10 years ago. As a result, the fund's brokerage commissions are a fraction of the category's average. Although not an explicit cost like the expense ratio, trading costs can create an additional drag on returns.

Small-cap stocks tend to be less liquid, and this can be a challenge especially when transactions are determined by an index. Most small-company funds implement a market-cap floor of \$100 million because micro-cap stocks are illiquid. But thanks to its flexible trading strategy and its role as a liquidity provider, DFA is able to more efficiently gain access to the micro-cap market. The fund includes about 5%-10% more micro-cap stocks (mainly from Japan and the U.K.) than the category average. Because the fund is allowed to invest in stocks with a particularly low minimum market cap, its weighted average market cap of

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Neutral
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	2.86	0.72
2013	27.44	2.09
2012	18.86	-0.13
2011	-15.35	-0.94
2010	23.91	2.90

DFA International Small Company I DFISX

Analysis

\$1.4 billion is lower than the category average of about \$2.2 billion.

The fund's sector and regional holdings have not changed meaningfully over the past 10 years, other than the gradual inclusion of Canadian stocks in 2007 to 9% today. U.K. (24%) and Japanese (21.5%) companies are the fund's largest country holdings. Like other small-cap funds, this fund is concentrated in the industrials (25%) and consumer discretionary (20%) sectors and is relatively light on financials (14%). Unlike many of DFA's other offerings, this fund doesn't tilt to value stocks.

The fund does not hedge its currency exposure. Cash is kept at less than 1% of the fund's assets, and futures contracts are occasionally used to hedge against large inflows and outflows.

Performance Pillar: ● Neutral

This fund has a long track record of solid performance. Its annual return consistently placed in the second quartile relative to the category average over the past 10 years. The fund's Morningstar Risk score is slightly higher than the category average's over the past 3-, 5-, and 10-year periods, but its Risk-Adjusted Return beat the category average over the past 10 years. Given this fund's relatively low expense ratio, we expect it to rank in the upper half relative to its category over the long term.

In recent years, however, the fund has struggled slightly. Its performance barely missed the second quartile in 2013 through 2011.

DFA's approach has been a source of excess returns. The fund and its benchmark, the MSCI World ex-US Small Cap Index, are almost perfectly correlated, but even after fees, the fund slightly outperformed its benchmark over the three- and 10-year trailing periods. During periods of high volatility in the market, the two can decouple: In 2008, the fund declined by 44% compared with the benchmark's 48% drop, but in 2009, it returned 42% versus the index's 51%. Over a market cycle, the differences in perform-

ance smooth out.

People Pillar: ● Positive

The listed portfolio managers for this fund are Karen Umland, Joseph Chi, and Jed Fogdall, who have been managing the fund since 1998, 2005, and 2004, respectively. Umland has been with DFA since 1993, and heads DFA's investment strategies group. She also manages several other international funds, including DFA Emerging Markets Value DFEVX and DFA International Core Equity DFIEX. Chi and Fogdall co-head DFA's portfolio management team, which includes about 23 international-equity portfolio managers who oversee over 20 different strategies. The fund's head trader is Henry Gray, who oversees DFA's global equity trading operations. Because DFA doesn't conduct fundamental research on individual securities, its traders are as integral to the firm's success as analysts are at shops where security selection is central.

DFA fosters a collaborative environment where the fund's management team can receive support from any of the firm's other equity fund managers and traders. The fund's named managers provide bi-weekly reports to DFA's investment committee, which consists of several of the firm's most senior managers. The investment committee provides oversight to ensure that the management team is executing the fund's strategy as intended. Chi currently serves as the head of that committee.

Parent Pillar: ● Positive

Dimensional Fund Advisors approaches investment management as a science. All of its strategies are grounded in a large body of empirical research. The firm's portfolio managers apply passive screens to emphasize securities with characteristics that have historically been associated with higher expected returns, including small market capitalizations and low valuations. DFA's culture of rigorous research and debate helps prevent it from chasing trendy investment themes.

Low costs also set DFA apart. Because its funds do not track an index, it is not forced to trade when doing so would not be cost-effective. DFA's low expense ratios build on this structural cost advantage.

Retail clients can access DFA funds only through financial advisors that DFA has screened to ensure they have a consistent investment philosophy and educated to reduce potential misuse of its products.

DFA's investment committee, which includes the firm's senior executives and portfolio managers, meets twice a month to ensure its funds follow their mandates. The funds' board of directors also offers good oversight. It is composed of an impressive group of professors who have the credentials necessary to effectively monitor the firm's quantitative strategies. While the firm's disciplined approach helps ensure the consistent application of these strategies, manager investment in DFA funds is a little low.

Price Pillar: ● Positive

The fund charges 0.56%, which is the third-lowest fee in the category and significantly cheaper than most funds in its peer group. The management fee is 0.40%, with an additional 0.16% in acquired-fund fees and expenses. Although the fund is inexpensive, there are cheaper passively managed exchange-traded fund options available.

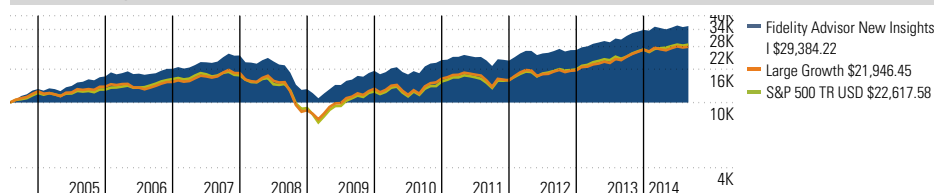
The fund is accessible only through DFA-approved financial advisors and certain 401(k) and 529 college-savings plans, so the total cost of this fund may be higher than its expense ratio. DFA has implemented this policy in an effort to reduce the volatility of fund flows and their potentially detrimental effects on the management of the fund.

Fidelity Advisor New Insights I FINSX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
28.18	↑0.13 0.46	0.00	27.3	Open	\$2,500	None	0.68%	★★★★	Large Growth	Large Growth

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks capital appreciation. The fund invests primarily in common stocks. It invests in domestic and foreign issuers. The fund invests in securities of companies whose value the adviser believes is not fully recognized by the public. It invests in either "growth" stocks or "value" stocks or both. The fund uses fundamental analysis of factors such as each issuer's financial condition and industry position, as well as market and economic conditions to select investments.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,560	9,923	11,849	16,598	21,469	29,384
Fund	5.60	-0.77	18.49	18.40	16.51	11.38
+/- S&P 500 TR USD	-1.53	0.16	0.07	-2.59	-0.18	2.88
+/- Category	0.97	-0.16	-0.06	-0.12	0.75	2.49
% Rank in Cat	31	57	52	54	34	7
# of Funds in Cat	1,730	1,774	1,702	1,497	1,329	905

* Currency is displayed in USD

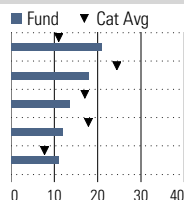
Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Microsoft Corp	2.84	44.69 USD	0.95 ↑	30.95 - 45.71
⊕ Wells Fargo & Co	2.50	50.13 USD	-0.50 ↓	40.07 - 53.08
Noble Energy Inc	2.17	70.11 USD	0.88 ↑	60.14 - 79.63
⊕ Schlumberger NV	1.82	106.27 USD	0.34 ↑	80.00 - 118.76
Verizon Communications Inc	1.81	48.74 USD	-0.53 ↓	45.08 - 53.66
% Assets in Top 5 Holdings	11.13			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 06-30-2014

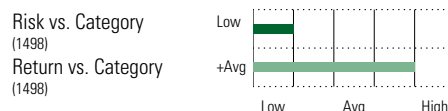
	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	20.84	23.09	15.61	10.09
Technology	17.82	23.42	17.82	23.51
Healthcare	13.44	13.44	11.63	16.13
Consumer Cyclical	11.91	19.28	11.91	16.94
Energy	10.96	10.96	5.51	6.82



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-02-14	27.29	0.0800	0.0000	0.0000	0.0000	0.0800
2013-12-13	25.77	3.6500	0.0000	0.0000	0.0000	3.6500
2012-12-14	22.76	0.0000	0.1300	0.0000	0.0200	0.1500
2011-02-11	21.13	0.0000	0.0400	0.0000	0.0000	0.0400
2010-12-30	20.17	0.0000	0.0000	0.0000	0.0000	0.0000

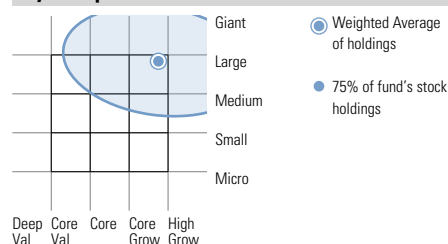
3 Year Average Morningstar Risk Measures



Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Silver

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	1.45	0.04	1.49	0.00	1.97
● US Stock	85.80	0.00	85.80	98.66	90.29
● Non US Stock	12.12	0.00	12.12	1.34	7.49
● Bond	0.06	0.00	0.06	0.00	0.08
● Other	0.57	0.00	0.57	0.00	0.18

Management

	Start Date
William Danoff	2003-07-31
John D. Roth	2013-09-17

Fidelity Advisor New Insights I FINSX

Analysis

A new comanager is making his mark.

By Katie Rushkewicz Reichart, CFA 4/22/2014

Fidelity Advisor New Insights' new comanager is making his presence known.

In September 2013, John Roth joined longtime manager Will Danoff at this fund. Considering Danoff runs well over \$100 billion, the addition of Roth may give Danoff some respite, especially since he's also now contributing to Fidelity's target-date series. Whether this move portends a change in leadership at this fund isn't clear. Fidelity recently announced a long-term succession plan for Steve Wymer at Fidelity Advisor Growth Opportunities FAGOX, so it's possible this fund could be next. For now, Danoff remains involved here and continues running Fidelity Contrafund FCNTX solo.

Roth, who manages Fidelity New Millennium FMLIX and Fidelity Mid-Cap Stock FMCSX, has already put his stamp on the fund. Admittedly more value-leaning than Danoff (though his own funds both land in the growth box), Roth has embraced turnaround stories such as Microsoft MSFT, a cash-flow-generating name with a new CEO. Other names that Danoff has avoided, including Verizon VZ and American International Group AIG, now have a place in this fund. The latter two names, which Contrafund does not own (it has a small stake in Microsoft), demonstrate how this fund has started to diverge from Contrafund.

Meanwhile, the managers have scaled back on Google GOOG and Berkshire Hathaway BRK.A, resulting in a fund that's less top-heavy than Contrafund. Following the moves initiated by Roth, the fund had a smaller technology stake and a bigger financials allocation than Contrafund as of February. In another sign of divergence, the fund's average market cap as of February was well below Contrafund's, whereas they previously aligned. That's no surprise, as this fund has more bandwidth, and Roth brings experience in smaller-cap names.

Despite these tweaks, the fund remains firmly in large-growth territory, so it shouldn't call for major changes in how it's used in a portfolio. It's a bit too early to call this experiment a success, but Roth's records elsewhere are encouraging.

Process Pillar: Positive

This fund has undergone some changes with the arrival of comanager John Roth, who joined longtime manager Will Danoff in September 2013. Danoff had previously run the fund very similarly to Fidelity Contrafund, using his signature growth strategy to seek out firms with improving earnings. He continues playing a big role here, effectively weaving together his own analytical insights, gleaned from nearly 30 years at Fidelity, with research from 135 global analysts. As the biggest owner of many stocks, Danoff has unparalleled access to company management, helping him understand a business' growth drivers.

Roth, who runs his own large-growth fund, Fidelity New Millennium, is a bit more value-leaning than Danoff, and at times New Millennium has landed in the blend portion of the Morningstar Style Box. Compared with Danoff, Roth's charges have more bandwidth to delve further down the market-cap spectrum, and the goal is for him to add more of those types of names at this fund (Roth's experience at Fidelity Mid-Cap Stock also helps in this regard). Roth is more willing to bet on turnaround plays, and his funds have typically stored more in financials and industrials and less in technology and consumer discretionary stocks than Danoff's. As Roth plays a bigger role here, this fund will diverge from Contrafund more than it has in the past. It will likely continue to own some non-U.S. stocks, a stake that recently stood at 10%.

Since John Roth became comanager in late 2013, the fund's concentration in its top-10 holdings has dropped to 22% from Fidelity Contrafund's level of 30% as of February 2014, closer to Roth's Fidelity New Millennium fund. The name count, once more than 400 stocks, is less than 300, as the managers have focused on their best ideas. The fund's \$43 billion average market cap as of February, which

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	5.60	0.97
2013	32.73	-1.19
2012	16.11	0.77
2011	-0.73	1.73
2010	16.34	0.81

Fidelity Advisor New Insights I FINSX

Analysis

once closely resembled Contrafund's, was much lower than Contrafund's \$64 billion.

Roth has put his stamp on the fund with some value-oriented picks and turnaround plays that Danoff had avoided. For instance, the fund bought Verizon in early 2014. Despite Verizon's capital-intensive business, Roth likes that a growing portion of its profits is coming from mobile after it bought back a stake from Vodafone. The fund also now owns Microsoft, with Roth keen on its free cash flow generation and new CEO (Danoff also bought a small position of Microsoft in Contrafund but has avoided Verizon there).

Elsewhere, the fund's financials stake has come up with the addition of such picks as AIG, in which Roth had invested at his other charges. Making room for such picks meant scaling back on top holdings Google and Berkshire Hathaway, among others. Accordingly, the fund's financials weighting is now above Contrafund's, while its technology stake is below. Even so, this is still very much a growth fund.

Performance Pillar: Positive

This fund has been a top large-growth offering under Will Danoff, who's managed it since its July 2003 inception. During his tenure through mid-April 2014, the fund has gained 11.2% annualized to the S&P 500's 8.1% and the category's 7.1%. His 13.2% annualized gain at Fidelity Contrafund since his 1990 start is even better. That record is all the more impressive considering the huge sum of money Danoff oversees, more than \$100 billion.

Danoff, who has run money long enough to witness a few market blowups, has managed to outperform large-growth peers and the S&P 500 in down markets during his tenure. The fund's Morningstar Risk score, which penalizes downside deviations in returns, is low. While the fund won't always be a category leader in every up market--it lagged peers in 2009 and 2013--it generally has done well in a variety of market environments.

New comanager John Roth has fared well at his charges. Fidelity New Millennium, a large-growth

fund with more of an all-cap approach, has gained 9.4% annualized since his start, beating the S&P 500's 7.1%. Roth also has a decent but shorter record at Fidelity Mid-Cap Stock.

The addition of Roth and resulting portfolio changes mean this fund's performance will diverge more from Contrafund's than it has in the past. It's ahead of Contrafund for the year to date through April 16, helped by its lower technology and consumer discretionary stakes.

People Pillar: Positive

Will Danoff, who's overseen this fund since July 2003 and has run Fidelity Contrafund since 1990, was joined by comanager John Roth here in September 2013. The intention is for Roth to help generate ideas at this fund, which closely resembled Contrafund but has the ability to be more opportunistic given its smaller size.

The addition of Roth could free up Danoff's capacity a bit; Danoff runs well over \$100 billion across accounts. However, he's also recently taken on a new fund used exclusively in the target-date series, Fidelity Series Opportunistic Insights FVWSX, which adds to his plate. Whether Fidelity's intention is to have Roth eventually take full control of this fund has not been communicated, but it would not be unprecedented: Fidelity recently announced a gradual succession plan at another Advisor fund whose lead manager runs a lot of money elsewhere.

Danoff has been a major selling point of this fund, with his years of experience and stock-picking abilities propelling both this offering and Contrafund to the top of the large-growth category over his tenure. Roth has been no slouch, either, having led Bronze-rated Fidelity New Millennium and Fidelity Mid-Cap Stock to competitive records since 2006 and 2011, respectively. Roth, who interned at Fidelity and officially joined in 1999, made some big calls as an analyst, including recommending Google at its IPO, which remains a top holding here.

Parent Pillar: Positive

As one of the mutual fund industry's giants, Fidelity

has pockets of strength and weakness. Its fixed-income operations are among the industry's best. On the equity side, the firm is home to some talented fund managers, who in many cases run Fidelity's biggest funds. However, Fidelity's size hasn't translated into success across the board. Its sprawling lineup leaves room for offerings that have produced mediocre results or have endured many manager changes. Fidelity's executive management and fund boards have made consistent performance a priority, but it will take time to gauge improvement.

Fidelity has shown signs it's willing to evolve. The firm has solidified an experienced-analyst track on the equity side and has kept its sector managers in place for longer. It also has added comanagers for some managers facing capacity constraints. In other words, the firm is trying to regain its edge. Fidelity has grown its asset-allocation group and revamped its target-date series after losing market share to competitors. A latecomer to ETFs, Fidelity recently partnered with BlackRock on the passive side and is building out its capabilities for actively managed ETFs.

While Fidelity remains a work in progress in some respects, its fund lineup remains reasonably priced, and manager ownership has significantly improved. Both of these factors have boosted its Parent Grade to Positive.

Price Pillar: Positive

As of the December 2013 annual report, the majority of this fund's assets had expense ratios that were low or below average relative to similarly sold peers. The T shares were priced average.

This fund has a performance fee, so its expense ratio can change based on how its three-year returns look relative to the S&P 500 Index. (For every percentage point of out- or underperformance, the expense ratio is adjusted by 0.02%, up to a maximum of 0.2%.) The performance-based fee is in the interest of investors, who don't have to pay as much when the fund is underperforming. Without considering the performance adjustment, the fund's expense ratio is below average relative to

Fidelity Advisor New Insights I FINSX

Analysis

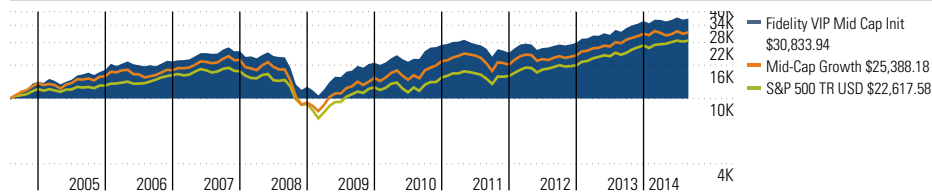
similarly sold peers, so it receives a Price score of Positive.

Fidelity VIP Mid Cap Init

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
37.02	↑0.08 0.22	0.45	8.9	Open	—	None	0.63%	★★★	Mid-Cap Growth	Mid Growth

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in securities of companies with medium market capitalizations (which, for purposes of this fund, are those companies with market capitalizations similar to companies in the Russell Midcap® Index or the S&P MidCap 400® Index). It potentially invests in companies with smaller or larger market capitalizations. The fund invests in domestic and foreign issuers. It invests in either "growth" stocks or "value" stocks or both.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,338	9,856	11,563	15,868	20,910	30,834
Fund	3.38	-1.44	15.63	16.64	15.90	11.92
+/- S&P 500 TR USD	-3.75	-0.51	-2.80	-4.35	-0.80	3.42
+/- Category	1.56	-0.94	1.90	-0.29	-0.87	1.63
% Rank in Cat	36	77	33	61	63	14
# of Funds in Cat	106	107	106	98	96	77

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
NXP Semiconductors NV	1.07	63.75 USD	0.05 ↑	34.66 - 67.79
TE Connectivity Ltd	1.07	62.04 USD	-0.16 ↓	48.29 - 65.01
Spirit Airlines Inc	1.00	69.04 USD	-0.61 ↓	29.65 - 70.00
Foot Locker Inc	0.92	49.87 USD	-1.66 ↓	31.91 - 52.07
Fidelity National Information Services Inc	0.89	55.76 USD	-0.29 ↓	44.06 - 57.07
% Assets in Top 5 Holdings	4.94			

⊕ Increase ⊖ Decrease ★ New to Portfolio

Top Sectors 06-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	23.43	23.43	11.19	18.28
Industrials	22.47	22.47	19.65	19.99
Consumer Cyclical	14.46	28.55	14.46	18.54
Healthcare	10.89	11.85	3.77	13.67
Energy	8.95	8.95	5.15	6.51

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-02-07	34.76	0.3400	0.2300	0.0000	0.0000	0.5600
2013-12-13	34.66	2.5300	1.8500	0.0000	0.1900	4.5600
2013-02-08	32.56	0.3400	0.0000	0.0000	0.0000	0.3400
2012-12-27	30.19	2.5900	0.0000	0.0000	0.0400	2.6300
2012-12-14	32.59	0.0000	0.0100	0.0000	0.1700	0.1700

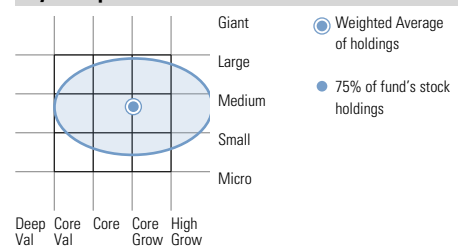
3 Year Average Morningstar Risk Measures

Risk vs. Category (119)	-Avg
Return vs. Category (119)	Avg
	Low Avg High

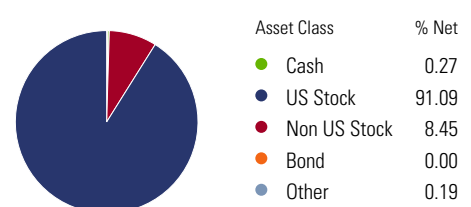
Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map



Asset Allocation



Management

Thomas Allen
Start Date: 2001-06-13

Fidelity VIP Mid Cap Init

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

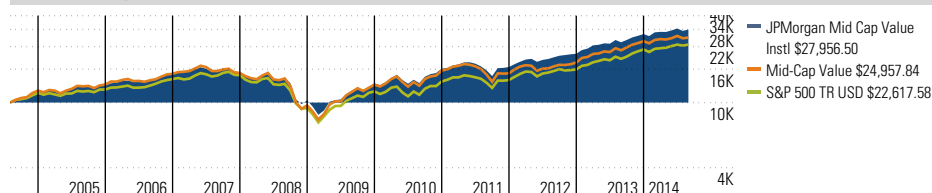
	Total Return %	+/- Category
YTD	—	—

We do not currently publish an Analyst Report for this company.

JPMorgan Mid Cap Value Instl FLMVX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
37.42	↑0.24 0.65	0.80	15.3	Limited	\$3	None	0.74%	★★★★★	Mid-Cap Value	Mid Value

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks growth from capital appreciation. The fund normally invests at least 80% of assets in equity securities of mid cap companies. Mid cap companies are companies with market capitalizations between \$1 billion and \$20 billion at the time of purchase. In implementing its main strategies, the fund's investments are primarily in common stocks and real estate investment trusts (REITs). It will use futures contracts to more effectively gain targeted equity exposure from its cash positions.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,655	9,881	11,588	18,470	24,016	27,957
Fund	6.55	-1.19	15.88	22.69	19.15	10.83
+/- S&P 500 TR USD	-0.58	-0.26	-2.54	1.71	2.46	2.32
+/- Category	0.87	0.34	-0.24	1.97	2.23	1.16
% Rank in Cat	36	40	54	19	13	18
# of Funds in Cat	436	466	428	374	321	212

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Marsh & McLennan Companies Inc	1.82	51.50 USD	-0.52 ↓	40.94 - 53.55
Loews Corp	1.63	42.21 USD	-0.24 ↓	41.57 - 49.43
Gap Inc	1.58	41.87 USD	-0.64 ↓	36.13 - 44.59
Ameriprise Financial Inc	1.56	120.04 USD	-0.28 ↓	85.24 - 127.00
⊕ Kohl's Corp	1.51	56.92 USD	0.02 ↑	48.68 - 59.00
% Assets in Top 5 Holdings	8.10			

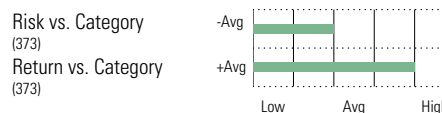
⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 06-30-2014

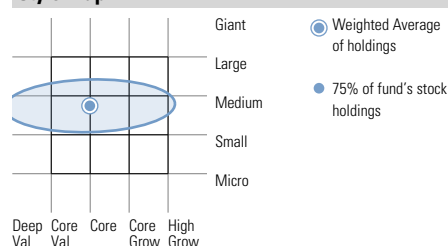
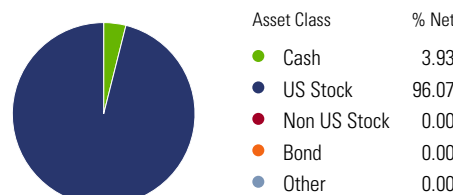
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	21.89	23.45	21.36	19.90	■ Fund ▼ Cat Avg
Consumer Cyclical	21.04	23.79	21.04	12.77	
Industrials	9.46	10.99	8.66	14.25	
Utilities	8.74	8.74	8.65	6.94	
Technology	8.36	9.76	7.70	12.08	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-20	34.58	0.0000	0.0000	0.0000	0.3100	0.3100
2013-12-12	34.06	1.1300	0.3300	0.0000	0.0000	1.4500
2012-12-18	28.21	0.0000	0.0000	0.0000	0.4100	0.4100
2012-12-13	28.10	0.2200	0.0000	0.0000	0.0000	0.2200
2011-12-20	23.32	0.0000	0.0000	0.0000	0.2800	0.2800

3 Year Average Morningstar Risk Measures

Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Neutral
Price	+	Positive
Rating		Gold

Style Map

Asset Allocation

Management

	Start Date
Jonathan K.L. Simon	1997-11-13
Lawrence E. Playford	2004-12-31
Gloria H. Fu	2006-05-01

JPMorgan Mid Cap Value Instl FLMVX

Analysis

A standard setter.

By Laura Lallo 6/9/2014

JPMorgan Mid Cap Value is among the best in its class.

Lead manager Jonathan Simon aims for strong performance relative to its benchmark, the Russell Midcap Value Index, with less volatility. He has met that goal during his long tenure. From November 1997 through May 31, 2014, the fund has returned an annualized 13.6%, compared with 10.1% for the benchmark and 9.0% for the mid-value category norm. The fund also ranks in the category's top-quintile over the three-, five-, and 10-year periods. The fund lagged during 2009's low-quality rally and trailed a bit in 2013, but that's the flip side of below-average volatility.

Simon and comanagers Lawrence Playford and Gloria Fu combine quantitative screens and fundamental analysis to find undervalued companies with strong balance sheets, earnings growth, and cash flows. That's standard high-quality value investing, but it is consistently well executed here. The portfolio contains around 100 names, with position sizes generally no more than 2%. Simon believes--and his record shows--that this is concentrated enough to break away from the benchmark without undue risk. In recent years, the fund has leaned toward consumer cyclicals; the stake is now more than twice that of the index. Both the sector and stock-picking within it have contributed significantly to returns. Credit goes to Fu, who covers that sector, but Morningstar's attribution analysis shows strong stock-picking across the board. Given this long, consistent record of excellence, the tenure and depth of the management team, and its adherence to a well-articulated disciplined strategy, the fund merits a Morningstar Analyst Rating of Gold.

Steep inflows prompted Simon to close the fund to new investors in February 2013. At more than \$15 billion, this is still one of the biggest mid-cap funds. However, the number of holdings in the portfolio has not increased, nor has the typical

cash stake. While Simon has been willing to hold on to some picks as they have grown into large-cap territory, the fund's average weighted market cap remains within the mid-cap space. This closed fund is a keeper.

Process Pillar: Positive

Jonathan Simon and his team buy undervalued mid-cap companies--in the \$1 billion to \$20 billion market-cap range at time of purchase--with high barriers to entry, low cyclicalities, and management focused on increasing intrinsic value. They combine fundamental analysis with quantitative screens, seeking consistent earnings and cash flow and strong balance sheets. As for valuations, they consider a variety of metrics but particularly like free cash flow yield.

While the fund's overall price multiples at the end of April 2014 were above the Russell Midcap Value figures, the portfolio also showed higher growth and superior returns on assets and equity. More than 75% of the portfolio was invested in companies that have moats against the competition, according to Morningstar equity analysts. That is high for a mid-cap fund.

The portfolio is built from the bottom up, and Simon will allow individual sector exposure to go up to 25% or double the benchmark exposure, whichever is greater. The fund is still well-diversified, but the consumer cyclical stake is about double that of the index and category average.

Simon sells when relevant valuation metrics suggest a stock is overvalued, when fundamentals change, or when he finds a better idea. He does not automatically sell when a stock grows into the large-cap space. However, the fund's average weighted market cap is not much higher than the category norm.


The portfolio has about 100 to 110 names. Jonathan Simon says that provides enough tracking error to generate outperformance relative to the Russell Midcap Value Index. The biggest position is generally around 2%. He is wary of concentrating more than that in one pick given the fund's mid-cap fo-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	6.55	0.87
2013	31.99	-3.15
2012	20.48	3.88
2011	2.42	6.37
2010	23.34	1.42

JPMorgan Mid Cap Value Instl FLMVX

Analysis

cus. Judging from the fund's risk/reward profile, he's found the right balance.

The fund has had a bent toward consumer discretionary names that offer strong brands, franchises, and cash flow; the fund's stake there at the end of April was more than twice the benchmark's. Within the sector, the fund is swapping names on valuation, trimming picks such as Williams-Sonoma WSM, while adding recent purchase Nordstrom JWN, which has significant insider ownership and is adding discount Rack stores. Discount retailers that hold up during economic downturns are a theme here, exemplified by longtime holding TJX Companies TJX, which the fund held into large-cap territory but has trimmed way down. Undervalued Kohl's Corp KSS remained in the top 10.

Financials are another significant stake that has done well in recent years. This includes top-10 pick Fifth Third Bancorp FITB and other regional banks. Simon isn't adding to current top holding Marsh & McLennan MMC at this valuation, but is holding on given that the company is using cash flow to pay dividends and buy back stock.

Performance Pillar: Positive

Jonathan Simon has run this fund's Institutional share class since its November 1997 inception; its return from then through May 31, 2014, is an annualized 13.6%, compared with 10.1% for the Russell Midcap Value index and 9.0% for the mid-value category. A significant chunk of the fund's assets is divided between A and Select shares, which opened in 2001. These have higher expenses, but like the Institutional shares, they beat the category average over the trailing three, five, and 10 years.

This long-term outperformance is the result of consistently strong showings. The fund's rolling returns summary indicates that its three-year returns rarely land in the category's bottom half. While 2009 stands out as a rare bottom-quartile calendar year, that resulted from underperformance during the low-quality rally from March on,

not excessive losses early in the year.

Simon aims to remain competitive in strong markets and, although the fund trailed a bit in 2013, he's achieved that. He focuses more on trying to provide a cushion during downturns, and the fund's losses in 2008 were limited compared with the category. By any measure, this has been a relatively mild-risk offering. Its Morningstar Risk scores (which emphasize downside volatility) are below-average, and its standard deviation has been well below the category and benchmark figures.

People Pillar: Positive

Manager Jonathan Simon has run this fund since 1997 and has more than \$1 million invested here. He started as an analyst at Robert Fleming in 1980 and became a portfolio manager in 1987. He served as president of Fleming's U.S. asset management operations from 1990 to 2000, when Fleming was acquired by what is now JPMorgan Chase.

Lawrence Playford became a comanager in 2004, and Gloria Fu in 2006. Both were previously analysts working on the fund. Playford joined JPMorgan as an analyst for the finance department 19 years ago, served as a client advisor at JPMorgan Private Bank, and moved over to the U.S. equity group in 2001. He is responsible for industrials, energy, utilities, and technology. Playford had between \$100,000 and \$500,000 invested in the fund at last report. Fu focuses on consumer names. She joined JPMorgan Securities as a sell-side analyst in 2002 after two years with Robertson Stephens. From 1995 to 2000, Fu worked in real estate investment for Arthur Andersen and Starwood Capital Group. She has between \$50,000 and \$100,000 invested here.

Graham Spence joined as an assistant portfolio manager in 2013, providing general research support. Analyst Patrick Parr covers industrials and technology with Playford. The team also works together on JPMorgan Value Advantage JVAAX, which has an excellent record since it opened in 2005.

Parent Pillar: Neutral

J.P. Morgan Asset Management's fund business boasts a diverse lineup supported by a global investment team. Its assertive distribution effort centers on an educational approach that has built advisor trust. With more than \$200 billion in assets in late 2013, J.P. Morgan is among the 10 largest U.S. mutual fund firms.

While growing aggressively, the shop has been sorting through weaker spots in a lineup that now numbers nearly 130 funds. The roster includes some strong managers, such as the Columbus, Ohio, fixed-income team that runs the popular JPMorgan Core Bond WOBDX, and the core U.S. equity and value teams. The SmartRetirement target-date series is another bright spot. As a whole, however, performance has been middling. The wildly popular JPMorgan Strategic Income Opportunities JSOSX, which opened with good timing in late 2008, has had mediocre results since, raising a question of whether resources have been stretched.

Fees are competitive within their share classes, and manager investment in the funds has increased significantly over the past year. The funds' experienced board of trustees has maintained a strong committee and oversight structure. Parent company JPMorgan Chase JPM serves as a double-edged sword, offering both the stability of a multinational organization and the uncertain impact of increased regulatory and media scrutiny.

Price Pillar: Positive

More than half of this fund's assets are in the Institutional shares, its oldest share class. These have an expense ratio of 0.74%, low compared with the Institutional shares of other mid-cap funds.

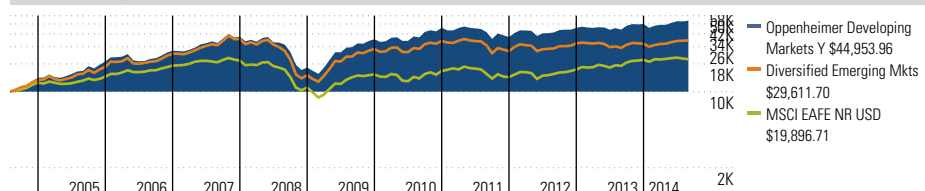
Most of the remainder is divided between A and Select shares. The former have below-average expenses compared with other mid-cap front-load funds. The latter have average costs compared with mid-cap institutional funds, but are available to retail investors through certain registered investment advisors.

Oppenheimer Developing Markets Y ODVYX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
40.29	↑0.14 0.35	0.41	44.0	Limited	—	None	1.01%	★★★★★	Diversified Emerging Mkts	Large Growth Mkts

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks capital appreciation. The fund mainly invests in common stocks of issuers in developing and emerging markets throughout the world and at times it may invest up to 100% of its total assets in foreign securities. Under normal market conditions, it will invest at least 80% of its net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in a developing market, i.e. are in a developing market or are economically tied to a developing market country. The fund will invest in at least three developing markets.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,727	10,032	11,454	13,242	17,435	46,410
Fund	7.27	0.32	14.54	9.81	11.76	16.59
+/- MSCI EAFE NR USD	5.88	3.08	4.44	-1.79	3.17	9.47
+/- Category	-0.12	0.09	2.64	5.02	4.70	5.12
% Rank in Cat	50	49	21	5	3	—
# of Funds in Cat	747	829	656	458	329	161

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Baidu Inc ADR	4.72	219.03 USD	-0.25 ↓	132.31 - 229.60
Yandex NV	2.48	28.44 USD	-2.03 ↓	21.70 - 45.42
OJSC Magnit	2.47	— USD	1.34 ↑	6,565.30 - 10,057.00
⊕ OAO Novatek GDR	2.43	108.00 USD	0.51 ↑	94.83 - 145.30
⊕ Housing Development Finance Corp Ltd	2.37	—	—	—
% Assets in Top 5 Holdings	14.46			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

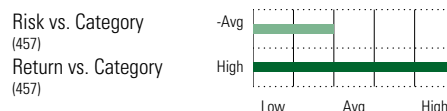
Top Sectors 06-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
🏠 Consumer Defensive	20.44	23.81	19.40	11.10	■ Fund ▼ Cat Avg
🏭 Consumer Cyclical	16.74	16.96	15.26	11.79	
🏦 Financial Services	16.44	17.56	13.49	23.31	
💻 Technology	16.25	17.73	16.01	16.79	
⚡ Energy	9.19	9.29	8.61	8.36	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-06	37.07	0.1800	0.0000	0.0000	0.1600	0.3400
2012-12-07	33.82	0.0000	0.0000	0.0000	0.2500	0.2500
2011-12-09	29.56	0.0000	0.0000	0.0000	0.6800	0.6800
2010-12-21	35.02	0.0000	0.0000	0.0000	0.1400	0.1400
2009-12-07	28.20	0.0000	0.0000	0.0000	0.1800	0.1800

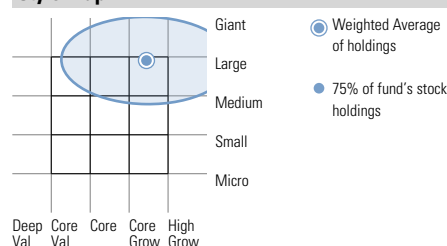
3 Year Average Morningstar Risk Measures



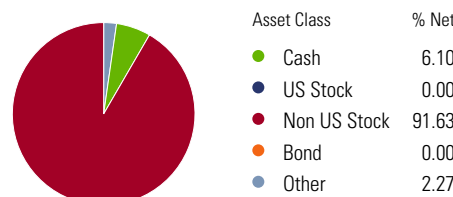
Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

Style Map



Asset Allocation



Management

Justin Leverenz
Start Date
2007-05-01

Oppenheimer Developing Markets Y ODVYX

Analysis

Sets the bar high.

By Karin Anderson 5/13/2014

Investors in Oppenheimer Developing Markets have reason to be pleased.

This fund's 4.4% gain for the trailing year through May 6, 2014, was better than 90% of diversified emerging-markets offerings¹. While that time frame was difficult for emerging-markets stocks--the category average was negative 2.2%--Chinese Internet firms Baidu BIDU, Tencent TCEHY, and C.Trip International CTRP sat at the top of this portfolio and posted big gains. Manager Justin Leverenz also made good picks in harder-hit markets like India and Brazil, including Infosys INFY, Tata Consultancy Services TCS, and Kroton Educational KROTY.

Leverenz goes after companies with healthy free cash flows that can generate high returns on capital throughout a market cycle. This has kept the fund lighter than most in commodity-related fare as well as financials, which could leave it behind the competition when these stocks lead the way. However, the fund has managed to stand out in a variety of market conditions since Leverenz took the reins in May 2007.

The theme-based, valuation-sensitive approach led Leverenz to tread lightly on Chinese and Russian stocks, which were some of the hardest-hit in the October 2007-March 2009 downturn. The fund lost less than most peers and the MSCI Emerging Markets Index during that difficult period. Good stock-picking, rather than being in the right countries at the right time, has kept the fund in good shape in the bull markets. This was true in 2012: Brazil stocks were a tricky place to be that year, but picks like Bovespa BVMF3 and Natura Cosmeticos NATU3 kept the fund in good relative standing and ahead of the index.

The fund's success has made it one of the more popular equity funds in recent years, with assets swelling to nearly \$40 billion. Oppenheimer responsibly closed the fund to new investors in early

2013, however, which should help mitigate liquidity problems with individual stocks. All told, current investors have a great holding here thanks to its skilled manager and time-tested process.

Process Pillar: Positive

Manager Justin Leverenz aims to buy companies with competitive advantages and healthy free cash flows that can generate high returns on capital throughout the market cycle. Often these stocks fit into an investment theme such as the retail migration from mom-and-pop shops to supercenters in emerging-markets countries. Within these themes, Leverenz seeks stocks he can hold for several years. This tack has kept the fund's turnover well below the category norm, a trait illustrated by its larger positions in Indian IT firm Infosys and Chinese Internet firm Baidu BIDU, which he's trimmed and added to for several years.

Leverenz does not hedge currency exposure and pays no heed to the sector and regional weights of the MSCI Emerging Markets Index. His hunt for consistent earners keeps the fund light on cyclical fare such as financials and materials stocks. He'll also avoid industries or regions where he sees excessive valuations. For instance, he kept the fund's China exposure below 5% in the second half of 2007--a level well below the group norm--due to valuation concerns. That move proved fortuitous as Chinese stocks suffered greatly in 2008. Going its own way has been a winning recipe for the fund so far, but investors should expect it trail the pack at times because of its unique profile.




Justin Leverenz keeps 100-125 stocks in the portfolio, and the fund's average market cap hovers in the \$15 billion-\$20 billion range. The portfolio continues to sport the same large bets it always has, the result of Leverenz's theme-based approach. That includes a focus on consumer defensive stocks. At 22% of assets that stake is more than twice the size of the typical rival's and the MSCI Emerging Markets Index's. The fund's 16% stake in consumer cyclical firms is also well above the norm and includes developed-markets picks like Pernod Ricard PDRDF and LVMH LVMHF, which get a large chunk of their revenues from emerging-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process		Positive
Performance		Positive
People		Positive
Parent		Neutral
Price		Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	7.27	-0.12
2013	8.68	8.82
2012	21.29	3.14
2011	-17.85	2.01
2010	27.39	8.13

Oppenheimer Developing Markets Y ODVYX

Analysis

markets consumers.

Leverenz is content to hang onto some fast-growing stocks when he continues to see strong long-term potential, like in the case of Chinese Internet firms Baidu BIDU and Tencent TCEHY, which recently traded at 40-50 times earnings. But he also engages in a fair amount of bargain-hunting. Emerging-markets stocks were generally hit hard in 2013, and Leverenz took that opportunity to add new India-based holdings DLF and Apollo Hospitals Enterprise. Those purchases helped push the fund's India stake to 12% of assets, roughly twice the category norm and index weighting.

Performance Pillar: Positive

The fund has tended to outshine its peers in challenging market conditions, and it hasn't sat out during market rallies. For instance, the theme-based and benchmark-agnostic approach led Leverenz to tread lightly on Chinese and Russian stocks, which were some of the hardest-hit in the October 2007-March 2009 downturn. The fund lost less than most peers and the MSCI Emerging Markets Index during that difficult period. And good stock-picking, rather than being in the right countries at the right time, has kept the fund in good shape in the bull markets of the past several years. Brazil stocks were a tricky place to be in 2012, for example, but picks like Bovespa and Natura Cosméticos helped propel the fund's returns ahead of most competitors'. In 2013's challenging conditions, Leverenz also made some good picks in harder-hit markets like India and Brazil, including Infosys, Tata Consultancy Services, and Kroton Educacional, putting the fund ahead of more than 80% of its peers.

The overall results are impressive. Since Leverenz took over in May 2007, the fund's 7% annualized gain through May 6 landed well ahead of the typical rival's 2.1% and the index's 2.9%. His record looks even better when accounting for risk, as the strong downside performance has made for a less-volatile experience overall.

People Pillar: Positive

Justin Leverenz joined Oppenheimer's international equity team in July 2004. He has nearly 20 years of investment experience, having previously worked as director of Pan Asian technology research for Goldman Sachs. He also worked at Martin Currie Investment Management, where he ran offshore China and Taiwan funds and at Barclays de Zoete Wedd (now Credit Suisse) as an analyst.

Upon joining the team in 2004, Leverenz worked as an analyst for Rajeev Bhaman on world-stock fund Oppenheimer Global OPPAX. He took over this fund in May 2007 and has a solid support system in the team's six other international equity managers, all of whom use similar low-turnover, theme-based approaches. On average, the seven portfolio managers have more than 20 years of investment experience, more than half of it at Oppenheimer. Leverenz also has the support of six analysts who are fairly green overall. One analyst joined the team in 2008, while the others came on board between 2011 and 2013. Heidi Heikenfeld was one of the more recent additions and has the most investment experience. She joined the firm's international equity team in 2001 and previously worked with Frank Jennings on Oppenheimer Global Opportunities OPGIX.

Leverenz has done a great job steering this fund so far, and he invests more than \$1 million alongside fundholders.

Parent Pillar: Neutral

The 2007-09 financial crisis sent the firm into a tailspin, as its primary fixed-income offerings, Oppenheimer Core Bond OPIGX and Oppenheimer Champion Income, collapsed because of their exposure to risky mortgage-related securities, which was amplified by economic leverage via swaps. The bond fund collapses reverberated across the fund lineup, resulting in big losses in the firm's fund of fund offerings, too.

CEO Bill Glavin has been in place since 2009. The executives and the fund boards have certainly been busy since then, replacing management teams on underperforming funds and merging away others. In 2012 the firm settled with the SEC

on charges that it misled investors regarding the fixed-income funds' positioning during the financial crisis, in a sense bookending the period of turmoil. Glavin and the boards have made many sensible moves with the underperforming funds, but it's too soon to say if the fixed-income and domestic-equity teams are capable of producing peer-beating performance, as well as investment team stability, over the long term.

It's good to see that portfolio managers are primarily compensated on a long-term performance metric of five years. But it's unfortunate that not many managers invest more than \$1 million in the funds they run. When it comes to fees, Oppenheimer's average fee-level percentile is 43, meaning that its funds are slightly less expensive, on average, than their peers.

Price Pillar: Positive

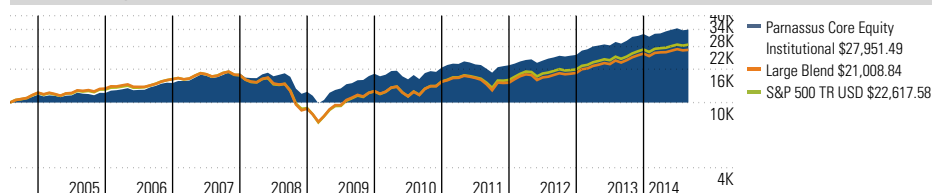
This fund's annual expense ratio of 1.35% is cheaper than four fifths of all diversified emerging-markets options and looks even more reasonably priced compared with other broker-sold offerings in the category. (The median fee for that distribution group is 1.71%.) The fund's Institutional shares levy 1.01% annually, which is also relatively inexpensive within that distribution channel.

Parnassus Core Equity Institutional PRILX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
38.88	↑0.11 0.28	1.36	9.7	Open	\$100,000	None	0.69%	★★★★	Large Blend	Large Blend

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks to achieve both capital appreciation and current income. The Parnassus Core Equity Fund's objective is to achieve both capital appreciation and current income by investing primarily in a diversified portfolio of equity securities. Equity securities include common and preferred stock. Under normal circumstances, the fund will invest a minimum of 80% of its net assets (plus borrowings for investment purposes) in equity securities. At least 75% of the fund's total assets will normally be invested in equity securities that pay interest or dividends.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,648	9,767	11,847	17,592	21,276	27,952
Fund	6.48	-2.33	18.47	20.72	16.30	10.83
+/- S&P 500 TR USD	-0.65	-1.40	0.05	-0.27	-0.39	2.32
+/- Category	0.68	-1.19	1.87	1.40	1.10	2.82
% Rank in Cat	40	96	22	30	27	—
# of Funds in Cat	1,631	1,691	1,570	1,335	1,199	796

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Apple Inc	4.60	97.58 USD	0.08 ↑	63.89 - 99.44
⊕ Allergan Inc	4.45	157.78 USD	1.40 ↑	86.95 - 174.49
Applied Materials Inc	3.93	22.36 USD	5.72 ↑	14.85 - 23.46
Procter & Gamble Co	3.38	81.74 USD	-0.26 ↓	73.61 - 85.82
Motorola Solutions Inc	3.24	60.91 USD	-0.99 ↓	55.70 - 68.33
% Assets in Top 5 Holdings	19.60			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

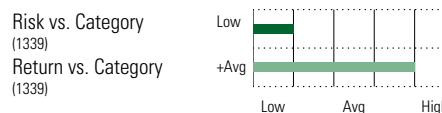
Top Sectors 07-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
⚙️ Industrials	20.34	22.23	20.34	12.03	■ Fund ▼ Cat Avg
💻 Technology	18.61	18.90	14.01	16.58	
🛒 Consumer Defensive	16.44	21.37	16.44	9.88	
🏥 Healthcare	14.30	14.73	11.23	13.61	
⚡ Energy	6.84	8.19	6.11	10.44	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	39.58	0.0000	0.0000	0.0000	0.1100	0.1100
2014-03-31	36.93	0.0000	0.0000	0.0000	0.1200	0.1200
2013-12-27	36.65	0.0000	0.0000	0.0000	0.1800	0.1800
2013-11-22	36.05	1.8700	0.0000	0.0000	0.0000	1.8700
2013-09-30	35.34	0.0000	0.0000	0.0000	0.1400	0.1400

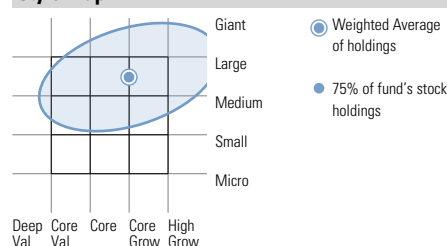
3 Year Average Morningstar Risk Measures



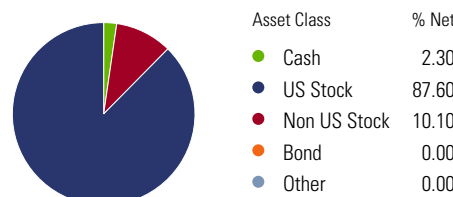
Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Silver

Style Map



Asset Allocation



Management

	Start Date
Todd C. Ahlsten	2001-05-01
Benjamin E. Allen	2012-05-01

Parnassus Core Equity Institutional PRILX

Analysis

A model of active management.

By Laura Lallo 4/17/2014

Parnassus Equity Income is indeed a good core equity holding.

As of May 1, 2014, this fund will be known as Parnassus Core Equity, and the name change makes sense. While the fund must keep 75% of assets in dividend-paying stocks--a prospectus requirement that will not change--longtime lead manager Todd Ahlsten and comanager Ben Allen have never emphasized income. The two are scrupulous stock-pickers who maintain a low-turnover portfolio of about 40 companies with relevant products or services, significant barriers to entry, and capable management. The managers also assert that companies that pass Parnassus' environmental, social, and governance, or ESG, screens are less risky than others within the same industries.

Conviction has paid off: This has been one of the stronger performers in the large-cap blend category during Ahlsten's tenure. Yet even though the fund is focused both in names and sectors, it has low Morningstar Risk scores, which emphasize downside volatility. That combination has made the fund easy to own: It has seen steady net inflows every year since 2007, which is unusual for a domestic-equity fund.

When Ahlsten and Allen evaluate a stock they anticipate a wide range of outcomes, incorporating a variety of macroeconomic scenarios. The fund has little in financials because they don't think the stocks are priced to reflect the risk inherent in the global financial system. The fund was also light on the sector going into the crisis because Ahlsten didn't like their balance sheets, and he'd avoided housing names because they lacked economic moats. Consequently, this fund lost less than 98% of its peers in 2008. It was also in the black in 2011.

This concentrated portfolio also has an above-average stake in small- and mid-cap names, and the

managers are keeping an eye on asset growth. With about \$8.5 billion in the fund, and minimal assets run in the strategy in separate accounts, they believe they still have ample capacity.

Process Pillar: Positive

This fund has typical socially conscious restrictions: It eschews companies deriving significant revenue from alcohol, tobacco, weapons, or nuclear power, or those directly involved in gambling. However, Parnassus places more emphasis on environmental, social, and governance (ESG) criteria. Believing that ESG screens also identify companies likely to outperform industry peers, they seek out those that score well on corporate governance, employee benefits, stakeholder relations, products, environmental impact, and customer and supply chain relationships.

From there, managers Todd Ahlsten and Ben Allen invest in companies with wide or increasing economic moats that sell increasingly relevant products or services and that are guided by good management. While they do not make top-down sector calls, they buy when a stock is undervalued based on a range of outcomes incorporating a variety of macroeconomic scenarios. That can lead to sector biases; the fund has much more in consumer staples and industrials than large-blend peers and far less in consumer discretionary names and financials.

The fund must have 75% of assets in dividend-paying stocks, but there is no particular emphasis on high dividends or dividend growth. (The fund's name changed from Equity Income to Core Equity in May 2014.) What's more, as of February 2014, the portfolio had more than 30% in mid- and small-cap names.

Todd Ahlsten and Ben Allen are patient, high-conviction investors. They hold 40 or so names and initiate a position only if they are willing to stake at least 1% of assets. Case in point: Apple AAPL. The stock's decline a year ago spelled an opportunity to buy a company with a strong moat, and in April 2013 they made it a top holding. It has been one of the biggest contributors to performance

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	6.48	0.68
2013	34.15	2.65
2012	15.64	0.68
2011	3.38	4.65
2010	9.10	-4.91

Parnassus Core Equity Institutional PRILX

Analysis

during the past year. Xylem XYL, another top name, was added last year after an earnings miss; the managers consider the water storage and transport company "a marriage of moat, relevancy, management, valuations, and ESG."

Ahlsten and Allen regularly adjust position sizes as valuations and risk profiles change. Biopharmaceutical company Gilead Sciences GILD, a top performer during the past few years, has an "exceptional moat and exceptional management" but is no longer exceptionally undervalued, so it has dropped from the top 10 to a 2% core position. Recent add Allergan AGN was in the top five as of March 2014; valuations came down on concerns about generic competition, but the company still has its valuable Botox franchise.

Schwab SCHW and MasterCard MA are the only financials the fund owns; the managers are uncomfortable with the risk/reward profiles of money center banks. They are also skeptical about retailers' ability to sustain moats, and the fund has little in consumer cyclicals.

Performance Pillar: Positive

Todd Ahlsten took over as sole manager in 2002, and Ben Allen came on in May 2012. Ahlsten got off to rocky start with an ill-timed cash stockpile and some poor picks. But he foreswore cash bets and Parnassus began building its research team in earnest. (Allen joined as a senior research analyst in 2005.) This fund now boasts one of the best 10-year records in its category, with an annualized 9.5% return through March 2014, compared with 7.4% for its benchmark, the S&P 500.

The fund did lag in 2010, which accounts for its middling five-year record; Ahlsten says a number of his high-quality names surged in the fourth quarter of 2009 and then fell behind riskier names that led in 2010. But he has met his goal of staying competitive on the upside while minimizing downside risk. During the past 10 years through March 2014, the fund has captured 93% of the upside of the S&P 500, but only 78% of its downside. It is worth noting that Ahlsten made an excellent call by avoiding financials before the crisis, and

the fund's 2008 performance is a big part of its success.

The fund's three-year record ranks well, owing in part to its top showing in 2011's rough market, but also competitive returns in 2012 and 2013. Its sector biases were a negative overall, particularly its limited exposure to consumer cyclicals, but strong stock-picking led to a top-quintile three-year ranking.

People Pillar: Positive

Lead manager Todd Ahlsten is Parnassus' chief investment officer. He joined the firm as a research analyst in 1995 and became director of research in 1998. Ahlsten began comanaging this fund with Parnassus' founder Jerome Dodson in 2001. He took over as sole manager in 2002 and has earned excellent results since. According to fund filings, Ahlsten has more than \$1 million invested here.

Ben Allen joined as comanager on May 1, 2012, and is Parnassus' director of research. Allen started at Parnassus as an analyst in 2005 and was part of a three-manager team that earned a nice record at Parnassus Mid-Cap PARMX from October 2008 through April 2012 before moving on to this fund. Allen has increased his investment here, and it now stands between \$100,000 and \$500,000, according to the latest filing.

While Ahlsten has final say on picks, each manager is responsible for half of the fund's 40 or so holdings. (As Parnassus' managers and analysts provide support across the lineup, Allen covered a number of the names before coming on as comanager.) Ahlsten generally covers health-care and technology stocks, while Allen favors industrials and business services.

Ahlsten and Allen are part of a 16-member investment team, which together provides research for all the funds in the lineup. The team has grown steadily, and the firm has a high retention rate.

Parent Pillar: Positive

Parnassus Investments is an employee-owned company founded by Jerome Dodson in 1984. It launched its seventh fund, an Asia fund, at the end

of April 2013. While a foreign fund is a first for the company, the firm has not grown recklessly; the last time it launched a new fund was in 2005. The firm has also steadily built its investment team. In 2013, the firm hired from the outside to bring fixed-income expertise to Parnassus Fixed Income PRFIX, but portfolio managers are generally promoted from the analyst ranks, and retention on the investment team is high.

The funds invest only in securities that pass its environmental, social, and governance screens. From there, the team finds companies with relevant products, sustainable competitive advantages, quality management, and ethical practices, and it buys when the stock is undervalued. The fixed-income fund also uses equity research for security selection.

In recent years, Parnassus has made a concerted effort to attract 401(k) and institutional clients, which has resulted in steady, but manageable, inflows. Most have gone to Parnassus Equity Income PRBLX, which has excellent long-term risk-adjusted performance. Four of the seven funds, accounting for more than 95% of assets, have manager investment greater than \$1 million. The funds' board of directors is experienced and has negotiated average fees overall.

Price Pillar: Positive

This fund's 87-basis-point expense ratio is below average for large-cap no-load funds.

Except for a blip up to 1.04% in 2004 (which Morningstar criticized at the time), the fund's expenses have always been reasonable. As the fund's asset base has grown, its net expense ratio has decreased over the past few years.

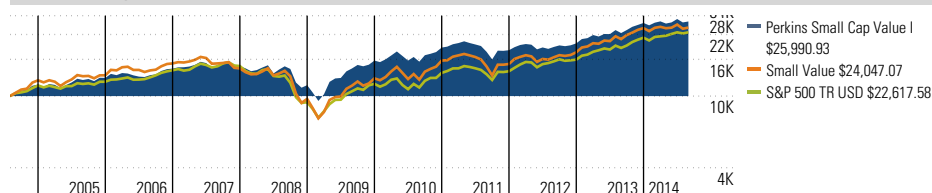
Institutional shareholders also get a good deal. Requiring a minimum investment of only \$100,000, the share class charges 69 basis points a year. That is below average for the large-cap institutional peer group.

Perkins Small Cap Value I JSCOX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.25	↑0.08 0.31	0.85	1.9	Limited	\$1	None	0.71%	★★	Small Value	Small Blend

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks capital appreciation. The fund pursues its investment objective by investing primarily in the common stocks of small companies whose stock prices are believed to be undervalued by the fund's portfolio managers. It invests, under normal circumstances, at least 80% of its net assets in equity securities of small companies whose market capitalization, at the time of initial purchase, is less than the 12-month average of the maximum market capitalization for companies included in the Russell 2000® Value Index. The fund may invest up to 20% of its net assets in cash or similar investments.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,194	9,798	11,148	15,196	18,437	25,991
Fund	1.94	-2.02	11.48	14.97	13.02	10.02
+/- S&P 500 TR USD	-5.19	-1.08	-6.94	-6.02	-3.68	1.52
+/- Category	0.89	0.17	-0.36	-4.43	-3.07	0.61
% Rank in Cat	31	37	60	94	91	—
# of Funds in Cat	387	413	374	333	262	170

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Casey's General Stores Inc	3.12	69.36 USD	0.43 ↑	64.12 - 77.58
⊕ Owens & Minor Inc	3.11	33.41 USD	-0.76 ↓	31.71 - 38.55
Home Properties Inc	2.78	63.07 USD	-0.11 ↓	52.16 - 66.74
Plains All American Pipeline LP	2.77	58.06 USD	0.07 ↑	47.26 - 60.60
Potlatch Corp	2.73	42.32 USD	0.38 ↑	37.04 - 43.78
% Assets in Top 5 Holdings	14.50			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

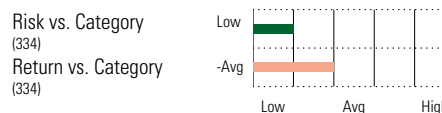
Top Sectors 06-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	21.84	27.86	21.84	21.23	■ Fund ▼ Cat Avg
Industrials	19.70	19.70	18.63	18.31	
Healthcare	11.66	12.23	9.57	5.61	
Technology	11.49	16.13	9.29	12.32	
Consumer Cyclical	8.51	10.00	6.16	13.14	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-19	25.07	1.2300	0.0700	0.0000	0.2300	1.5400
2012-12-20	21.21	0.9000	0.0000	0.0000	0.3200	1.2200
2011-12-22	20.54	1.9000	0.8600	0.0000	0.1000	2.8600
2010-12-20	23.86	0.6100	0.0000	0.0000	0.1200	0.7300

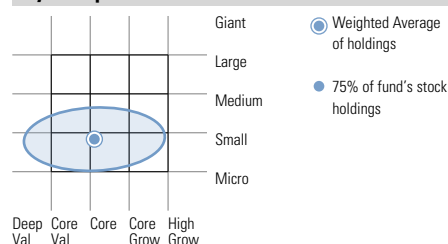
3 Year Average Morningstar Risk Measures



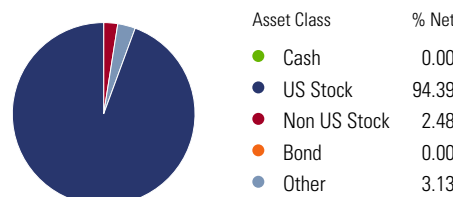
Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

Style Map



Asset Allocation



Management

	Start Date
Robert Hunter Perkins	1985-02-14
Justin Tugman	2009-03-13
Tom Reynolds	2013-04-01

Perkins Small Cap Value I JSCOX

Analysis

Some changes here.

By Katie Rushkewicz Reichart, CFA 3/25/2014

Sluggish Perkins Small Cap Value is making some adjustments.

This fund hasn't kept up with peers or the Russell 2000 Value Index since the market hit its low in March 2009: its trailing three- and five-year results through March 20 land in the category's bottom decile.

Some of its sluggishness is a result of the fund's cautious strategy, which relies on high-quality stocks that exhibit much downside protection but may not perform as well in momentum-driven rallies. Lagging in this type of environment is nothing new for the fund: Since its 1987 founding it has gained just 91% as much as the benchmark in up markets. However, the magnitude of recent underperformance is greater; it captured just 82% of the benchmark's gains over the past five years.

In response, the managers, including firm founder Bob Perkins, have brought the name count down to 85 from 110 to focus on their best ideas. They've shed troublesome picks in the energy, financials, and consumer discretionary sectors that have weighed on relative results. Also, the days of cash stakes as high as 20% of assets--a fallout of the team's valuation-driven process--are gone, with the hope that it will prevent the fund from lagging as much in rising markets. Cash dropped to 5% of assets by December 2013, down from 15% a year earlier--an odd time for a value-minded team to deploy dry powder given the market's surge. It's uncertain whether this change will diminish the fund's buffer in downturns, but it's encouraging that strong stock-picking across sectors--rather than a slug of cash--accounted for the fund's edge in the 2007-09 downturn.

These changes come on the heels of the unexpected departure of manager Todd Perkins in early 2013, who was replaced with an analyst. The firm's team management structure mitigates the impact of his loss, though the reshuffling did res-

ult in the hire of a new financials analyst who is still getting up to speed.

Recent changes warrant watching, but a history of strong risk-adjusted returns carries much weight.

Process Pillar: Positive

Perkins' value-conscious investment approach spans the shop's lineup, but this isn't a deep-value fund. The managers don't buy stocks just because they look cheap, and they analyze the potential for loss before considering possible gains. Portfolio candidates must have strong free cash flows, reasonable debt levels, and healthy balance sheets. This risk-conscious approach has protected capital better than peers and the benchmark in down markets and has resulted in lower volatility.

The fund has held up to 20% cash at times, a fallout of its cautious, valuation-led process. The cash stake has dragged on performance during the robust market of the past few years, leading to subpar relative returns. The managers have since decided to limit cash to give the fund a better chance of keeping up in rising markets. It stood at 5% of assets as of December 2013, down from 15% a year earlier. Reducing cash in 2013's rising market is a bit contrary for a valuation-focused process, particularly as small caps surged last year. The managers say they added to their highest-conviction picks. While in the past they cautiously limited position sizes for companies with higher debt levels, they're now more comfortable making bigger bets in some of these names as long as they're in a stable industry and have sustainable free cash flow to service the debt. They're less likely to take such risks in volatile sectors such as energy.


In recent years the fund held as many as 110 stocks, but in 2013, that number came down to 85, as the managers made a conscious effort to focus on their best picks and reduce small positions at the tail end of the portfolio. Sector weightings here can look quite different from the Russell 2000 Value Index. The fund's energy stake surpassed the benchmark's for much of the past decade, with the team focusing on undervalued, disciplined

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	1.94	0.89
2013	29.82	-6.39
2012	9.13	-6.87
2011	-3.28	1.17
2010	18.13	-8.03

Perkins Small Cap Value I JSCOX

Analysis

firms with good operating histories. However, the energy stake has been a headwind in recent years, particularly as natural gas prices bottomed. The managers scaled back exposure in 2013, selling smaller-cap names with weaker balance sheets that hurt results and focusing on just a handful of stronger players, including some with larger market caps, such as Whiting Petroleum WLL. The fund typically has a smaller financials stake than the benchmark (where it consumes a huge chunk of assets). Stock-picking in the sector has hurt over the past five years, according to attribution, but was stronger in 2013. The fund is overweight in health care and consumer staples stocks while staying relatively light on consumer discretionary names. There have been some misfires in that sector, such as RadioShack RSH, where the managers didn't adequately assess the business' secular headwinds--something they're now working in to their process. The fund owns no utilities, as regulation and leverage dim their appeal.

Performance Pillar: Positive

Since the market bottom in March 2009, this quality-focused fund has failed to keep up with its small-value peers. Indeed, its trailing three- and five-year results through March 20 land in the category's bottom decile and lag the Russell 2000 Value Index by about 3 percentage points annualized.

However, the fund's longer-term record is significantly stronger. Its 12.8% annualized gain since its 1987 inception surpasses the benchmark's 10.7% and the category's 11.3%. The fund's record also looks good on a risk-adjusted basis, stemming from its ability to protect capital in down markets. It lost less than peers during both bear markets in the 2000s, as well as in 2011's market slide. The fund's tendency to hold double-digit cash stakes (up to 20% of assets) in the past certainly provided a buffer. However, the managers recently decided to hold less cash to allow for better performance in up markets (it held just 5% at year end). Time will tell whether removing that cash cushion lessens the fund's defensive attributes. Either way, it's encouraging that the fund exhibited strong stock-picking across nearly all sectors dur-

ing the 2007-09 financial crisis, indicating it may still get a leg up over peers even if it doesn't hold as much cash.

Investors here must be comfortable with lagging in up markets, including prolonged periods such as the past five years, but should be rewarded over a full market cycle.

People Pillar: Positive

In March 2013, Todd Perkins, a comanager since 2004, stepped down after nearly 15 years at the firm. The firm said he decided to leave the investment industry. While his departure is a loss, there is some consistency on the team. His father, Bob Perkins, who co-founded the firm in 1980 and has run this fund since its 1987 inception, remains, as does Justin Tugman, who joined the firm in 2004 as an energy analyst and was promoted to comanager in 2009.

Tom Reynolds, who joined Perkins in 2009 as a financials analyst, was named comanager following the departure. He's still covering some financials stocks until a replacement analyst hired in September 2013 settles in. The team-based management structure makes such transitions easier. Tugman, for example, continued covering energy firms until his replacement was hired and got up to speed, which took until 2012.

Besides this recent departure, the team has been stable. It includes 19 analysts and managers who have sector specialties, including four people who focus on international stocks. There's a single value-oriented investment philosophy used across the firm's funds, and the shop enjoys a collaborative environment. In early 2013, Janus Capital Group bought the remaining 22.2% stake in Perkins Investment Management that it didn't previously own, but the shop continues to operate as an independent boutique.

Parent Pillar: Neutral

Janus' corporate culture has taken another hit. The departure of three managers in May 2013 (including its two best-performing equity fund managers from the previous five years) triggered manager changes at six funds and marks the fourth time in

the past decade that multiple managers have left the firm around the same time. Janus' fixed-income team and value-oriented subsidiary Perkins have been more stable, but the equity team controls roughly two thirds of Janus' mutual fund assets, even after hefty net redemptions in recent years.

The firm also has employed five CEOs (including an interim one for seven months) since founder Tom Bailey stepped down from that position in June 2002. Current CEO Dick Weil came aboard in early 2010 and has made "investment excellence" one of his top priorities, but he also is trying to diversify the fund lineup as well as the client base. He recently hired Enrique Chang from American Century to become co-CIO of equities in September 2013. Under Chang, American Century's funds found favor with advisors, but the funds had a very buttoned-down investment style, which differs from Janus' typical approach.

The funds' fees are still fairly attractive, in part because the funds' board of directors has negotiated performance-based management fees. Janus' managers invest heavily in their funds, but some concerns about the firm's compensation plan and its ability to retain top talent exist.

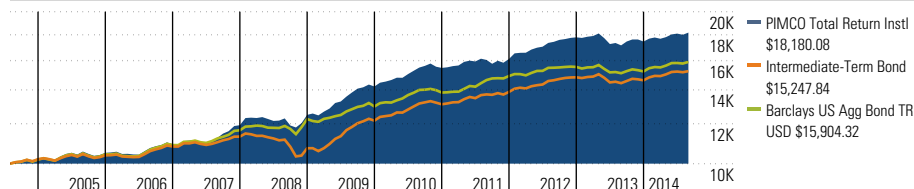
Price Pillar: Positive

This fund's expense ratio can fluctuate because of a performance-based fee adjustment, which is based on the fund's three-year return relative to the Russell 2000 Value Index. If the fund's performance during that period varies from the benchmark's by 50 basis points in either direction, the expense ratio will adjust in increments of 15 basis points. The performance-based fee works to shareholders' advantage by not requiring them to pay as much when the fund is lagging, which has been the case lately: the fund's expense ratio across all share classes as of the June 2013 annual report was the lowest it's ever been. If the fund's relative performance improves, the expense ratio will increase, though it should still be reasonable relative to peers.

PIMCO Total Return Instl PTTRX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.99	↑0.01 0.09	2.15	223.1	Open	\$1	None	0.46%	★★★★	Intermediate-Term Bond	

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,419	10,056	10,525	11,283	13,284	18,180
Fund	4.19	0.56	5.25	4.11	5.84	6.16
+/- Barclays US Agg Bond TR USD	-0.25	-0.12	0.11	1.37	1.28	1.41
+/- Category	-0.25	0.09	-0.28	0.63	0.46	1.57
% Rank in Cat	66	39	56	28	36	6
# of Funds in Cat	1,074	1,092	1,056	935	804	573

* Currency is displayed in USD

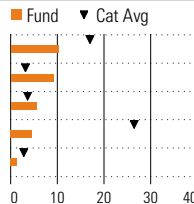
Top Holdings 03-31-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
Irs Usd 1.500 03/18/15-1y (Red) Cme	15.53	03-18-2016	35,754.00	36,006.02
✱ Irs Usd 3.000 09/21/16-1y (Grn) Cme	9.61	09-21-2017	22,157.50	22,292.66
✱ 5 Year US Treasury Note Future June14	8.52	06-30-2014	16,607.70	19,755.38
Irs Usd 1.500 12/16/15-1y (Grn) Cme	6.91	12-16-2016	16,049.50	16,030.85
Irs Usd 2.750 06/19/13-30y Cme	-2.50	06-19-2043	6,767.30	-5,789.03
% Assets in Top 5 Holdings	38.07			

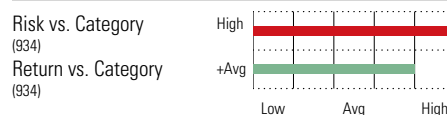
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

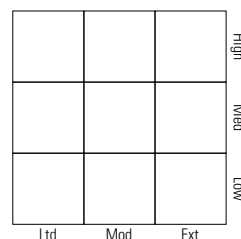
	Fund	BMark	Cat Avg
U.S. Treasury	10.23	—	16.14
Non-U.S. Government	9.20	—	2.32
Agency MBS Pass-Through	5.56	—	2.78
Corporate Bond	4.51	—	25.60
Non-Agency Residential MBS	1.39	—	1.97


Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-07-31	10.89	0.0000	0.0000	0.0000	0.0200	0.0200
2014-06-30	10.97	0.0000	0.0000	0.0000	0.0200	0.0200
2014-05-30	10.95	0.0000	0.0000	0.0000	0.0300	0.0300
2014-04-30	10.84	0.0000	0.0000	0.0000	0.0200	0.0200
2014-03-31	10.78	0.0000	0.0000	0.0000	0.0200	0.0200

3 Year Average Morningstar Risk Measures

Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Neutral
Price	+	Positive
Rating		Gold

Style Map 03-31-2010

Bond Statistics

	Value
Average Effective Duration (Years)	4.97
Average Effective Maturity (Years)	5.29
Average Credit Quality	Not Rated
Average Weighted Coupon	3.06
Average Weighted Price	—

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	-35.32	192.71	157.40	—	8.04
Stock	0.35	0.00	0.35	—	0.07
Bond	133.63	8.20	141.83	—	89.05
Other	1.34	0.25	1.59	—	2.83

Management

	Start Date
William H. Gross	1987-05-11

PIMCO Total Return Instl PTTRX

Analysis

Still among the very best.

By Eric Jacobson 3/19/2014

PIMCO Total Return remains a compelling choice.

There have been challenges. PIMCO's CEO and co-CIO Mohamed El-Erian resigned in January and departed in mid-March 2014. The firm also named six deputy CIOs including Andrew Balls, Dan Ivascyn, Mihir Worah, Mark Kiesel, Scott Mather, and Virginie Maisonneuve. Three not on the firm's Investment Committee were added, as was Fed guru Tony Crescenzi; Marc Seidner left when El-Erian resigned.

All of that came on top of other changes to the Investment Committee in recent years, and Morningstar questioned whether new members would be fit to challenge Gross. The situation is elevated with the impending sabbatical of veteran Chris Dialynas and the promotion of less-seasoned deputy CIOs, but Gross has acknowledged the impact of his domineering style and argues that he has made successful strides to improve the dynamic.

Time will tell whether that effort works, but it's encouraging. And despite other concerns—which drove a decision to lower PIMCO's Parent grade—there are reasons to maintain great confidence here. For one, Gross is still one of the best around; modest showings in 2011 and 2013 were disappointing, but expectations of perfection weren't realistic either. And while the Investment Committee has changed, it looks more balanced now, boasting new sector-level experts to complement a macro focus that had dominated. It's also backed by an eye-popping 245 portfolio managers, including 73 at senior levels.

The bottom line is that PIMCO as a whole is definitely changing, which has raised enough questions to adjust its Parent rating. And given the nature of the changes that have occurred thus far, it is important to continue watching for additional departures or signs that the new incarnation of the Investment Committee isn't working well. Those

changes have not, however, risen to a level that changes Morningstar's overall opinion of this fund. All of its pros and cons still add up to a world-class offering and a Morningstar Analyst Rating of Gold.

Process Pillar: Positive

Manager Bill Gross uses a mix of macroeconomic forecasting (supported by PIMCO's Investment Committee) and bottom-up analysis (supported by PIMCO's sector desks) to determine interest-rate, yield-curve, currency, country, sector, and issue-level decisions. The enormous number of assets Gross manages across PIMCO, however, makes it difficult for any issue-level bet to have an impact on returns. As such, the fund's overall performance has been driven more by bigger-picture decisions for some time.

Given recent changes to the Investment Committee involving the departures of co-CIO Mohamed El-Erian and Marc Seidner, the sabbatical of Chris Dialynas, and the appointment of several deputy-CIOs, adjustments seem likely. The committee has been dominated by macro specialists, but the deputy-CIOs have strong sector-level backgrounds. There are still macro thinkers in the group, but it's now more balanced and could reflect more diverse input.

The fund's derivatives usage has been cut back some relative to prior years, but PIMCO still uses as many or more than just about any of its competitors. The level of analytical research and operational support backing these is intense. That the fund has survived a number of trying market periods without its derivative exposures creating unexpected problems is a testament to the effectiveness of those efforts.

In the months leading to the 2013 summer sell-off, PIMCO argued that most asset classes were fully valued, and the portfolio grew more conservative afterward, hewing closer to the Barclays U.S. Aggregate. As of Feb. 28, 2014, its duration was almost a year short of the index, its Treasury focus was on short-maturities, and its investment-grade credit stake was light at 6% (versus 23% for the

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum



Fund Performance

	Total Return %	+/- Category
YTD	4.19	-0.25
2013	-1.92	-0.50
2012	10.36	3.35
2011	4.16	-1.70
2010	8.83	1.11

PIMCO Total Return Instl PTTRX

Analysis

bogy). The fund also cut to 29% what had been a big mortgage bet; it was 53% in April 2012. Meanwhile, the fund's out-of-index exposures have moderated. Its combined mix of high-yield, non-U.S. developed, and emerging-markets debt was at 18% in February, while the fund maintained a 13% exposure to TIPS.

The fund's range is wider than its relatively conservative recent positioning would suggest, though, and the point was illustrated by more intrepid decisions in 2011. The fund's duration ranged between three and five years during that year's first half, but Gross hiked it to seven years by September. That large number--the fund's benchmark was around five years for most of that stretch--still didn't tell the whole story, though. Gross had a yield-curve bet in place, for example, banking on a widening between short- and long-term yields, which kept a lid on exposure to long-maturity Treasuries. Meanwhile, much of the fund's excess duration came from non-U.S. bets. At the end of 2011, for example, the fund held 18% in non-U.S. developed markets.

Performance Pillar: Positive

The fund stumbled in the summer of 2013, in part because of a spike in long-maturity yields that hit its TIPS allocation especially hard. What turned out to be premature talk of the Fed tapering its quantitative easing program helped drive up TIPS yields sharply between May 2 and Sept. 13, 2013. Between that and exposure to sinking emerging-markets debt, the fund tumbled 5.5% through that stretch, placing near the bottom of its peer group.

The fund had a tough 2011, too. Gross had kept duration and government-bond exposures muted, worrying that long-maturity Treasuries were too rich. They began rallying in the second quarter, though, and things got worse. The fund lost 1.1% in the third quarter, while its benchmark galloped to a 3.8% gain; the dearth of Treasuries, paired with the fund's risk exposures, was the main cause.

It hasn't been all cloudy given the fund's fat 10.4% return in 2012. A yield-curve bet worked well, and

it picked up gains over its benchmark from a range of sector exposures. That has played a big role in keeping the fund's three-year return above the category average.

Stalwarts can take heart overall. Despite the ugliness of its recent troubles, the fund's longer record remains among the category's best. It has fallen behind before, and each time Gross has found a way to get back to producing some of the best performance in the group.

People Pillar: Positive

Bill Gross has managed this fund since inception with excellent results. He has won Morningstar Fund Manager of the Year accolades three times and is the reigning Morningstar Fund Manager of the Decade for bond funds. Once a bond-by-bond picker of corporate-debt securities, Gross' expertise evolved over the past 40 years, and today he is a titan in the world of investing across fixed-income sectors such as mortgages, corporates, and governments. One of his greatest strengths has been his ability to adapt to the challenges of size, in particular, as this strategy's massive asset base has grown.

PIMCO's staff has tremendous depth, boasting world-class practitioners and intellects across the board, even despite some high-level departures since 2008, in particular. A handful of managers were recently promoted to roles as deputy-CIOs, including bond specialists Andrew Balls, Dan Ivascyn, Mihir Worah, Scott Mather, and Mark Kiesel. The deep sector experience they bring should be a big plus for the firm's primary Investment Committee, but it's reasonable to wonder whether these highly skilled but less-seasoned folks will have the confidence and temerity to stand up to Gross' dominant presence and reputed temper. It's rarely a good idea to count him out, but it is at least fair to ask whether the firm's recent personnel changes, in particular, ultimately help or hurt this otherwise still-compelling fund and its sibling portfolios.

Parent Pillar: Neutral

Still formidable, with areas for improvement and a few open questions.

The investment community was taken by surprise in January 2014 by CEO and co-CIO Mohamed El-Erian's decision to leave PIMCO. The firm quickly named longtime employees Doug Hodge as CEO and Jay Jacobs as president. It also designated six deputy CIOs, made additions to its Investment Committee, and reassigned El-Erian's investment and personnel management duties.

Those adjustments were designed to help ensure a degree of continuity, and there's reason to believe PIMCO can thrive going forward given the qualifications of its new deputy CIOs and its deep research resources. Yet it will take time to assess whether recent changes prove beneficial for investors. It's also an open question how effectively the firm will navigate a tougher environment for fixed income. Despite PIMCO's prowess, relatively high expenses on many of its funds' noninstitutional share classes have historically kept it from garnering Morningstar's highest marks. Arguably, its funds' boards have not done all they could do to aggressively negotiate for better economies of scale. In addition, the firm no longer stands out versus rivals in terms of its managers' investment in the funds they run.

These issues, plus the uncertainty associated with the recent disruptions, result in a Neutral rating.

Price Pillar: Positive

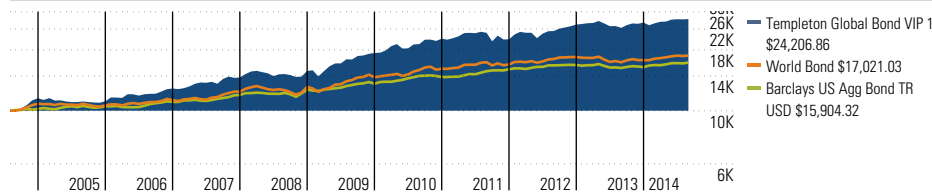
This fund had more than \$235 billion in assets as of the end of February 2014. And while its Institutional and A share classes both carry Below Average expense ratios, its other share classes are rated Average to High. However, a fund so large most likely has further economies of scale to pass on to holders of all share classes. There are no management-fee breakpoints, according to the fund's most recent Statement of Additional Information; at \$235 billion, such breakpoints could have a meaningful impact on its expense ratio. The bottom line is that the fund's Institutional price tag is fair, and not a reason to avoid investing here, but even that figure--at 0.46%--is a difficult to justify for such a large portfolio.

Templeton Global Bond VIP 1

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
18.81	↑0.08 0.43	5.38	3.6	Open	—	None	0.51%	★★★★	World Bond	

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks high current income consistent with preservation of capital; capital appreciation is a secondary objective. The fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures. It invests predominantly in bonds issued by governments and government agencies located around the world. The fund expects to invest at least 40% of its net assets in foreign securities, and may invest without limit in emerging or developing markets. It may invest up to 25% of its total assets in debt securities that are rated below investment grade. The fund is non-diversified.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,350	9,979	10,667	11,617	14,817	24,207
Fund	3.50	-0.21	6.67	5.12	8.18	9.24
+/- Barclays US Agg Bond TR USD	-0.94	-0.89	1.53	2.38	3.62	4.49
+/- Category	-1.09	-0.29	1.10	2.80	2.97	3.66
% Rank in Cat	81	48	34	15	8	1
# of Funds in Cat	34	36	34	30	24	12

* Currency is displayed in USD

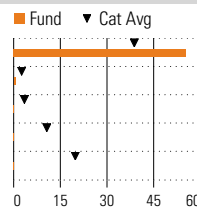
Top Holdings 06-30-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
⊕ Poland(Rep Of) 4.75%	3.31	10-25-2016	340.69	117.81
Ireland(Rep Of) 5%	2.75	10-18-2020	58.59	97.95
Ireland(Rep Of) 5.4%	1.97	03-13-2025	40.42	70.21
Bk Of Korea 2.8%	1.91	08-02-2015	68,737.03	68.06
Russian 30 SU-144A	1.58	03-31-2030	48.52	56.34
% Assets in Top 5 Holdings	11.51			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

	Fund	BMark	Cat Avg
Government	55.49	—	37.48
Supranational	0.62	—	1.29
Agency/Quasi-Agency	0.01	—	2.17
Other Government Related	0.00	—	9.37
Corporate Bond	0.00	—	18.51



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-13	18.79	0.0000	0.0000	0.0000	1.0100	1.0100
2013-06-14	18.75	0.2400	0.0000	0.0000	0.9600	1.2000
2012-06-15	17.94	0.0300	0.0000	0.0000	1.2800	1.3100
2011-06-15	19.62	0.1100	0.0200	0.0000	1.1500	1.2700
2010-06-15	18.34	0.0500	0.0000	0.0000	0.3100	0.3600

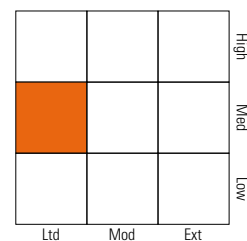
3 Year Average Morningstar Risk Measures

Risk vs. Category (34)	High
Return vs. Category (34)	High

Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map 06-30-2014



Bond Statistics	Value
Average Effective Duration (Years)	1.62
Average Effective Maturity (Years)	2.37
Average Credit Quality	BBB
Average Weighted Coupon	5.51
Average Weighted Price	—

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	49.04	0.00	49.04	0.00	9.52
US Stock	0.00	0.00	0.00	0.00	0.30
Non US Stock	0.00	0.00	0.00	0.00	0.62
Bond	50.12	0.17	50.28	100.00	89.19
Other	0.84	0.06	0.90	0.00	0.38

Management

	Start Date
Michael J. Hasenstab	2001-12-31
Sonal Desai	2011-05-01

Templeton Global Bond VIP 1

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

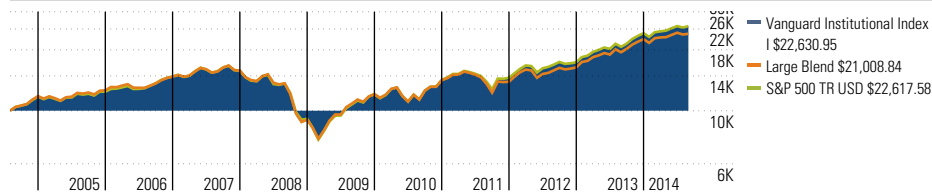
	Total Return %	+/- Category
YTD	—	—

We do not currently publish an Analyst Report for this company.

Vanguard Institutional Index I VINIX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
179.65	↑0.79 0.44	1.86	175.3	Open	\$5	None	0.04%	★★★★	Large Blend	Large Blend

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,711	9,907	11,838	17,696	21,619	22,631
Fund	7.11	-0.93	18.38	20.96	16.67	8.51
+/- S&P 500 TR USD	-0.02	0.00	-0.04	-0.03	-0.02	0.01
+/- Category	1.31	0.21	1.79	1.64	1.48	0.51
% Rank in Cat	21	31	23	23	17	29
# of Funds in Cat	1,631	1,691	1,570	1,335	1,199	796

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	3.35	97.56 USD	0.06 ↑	63.89 - 99.44
⊕ Exxon Mobil Corporation	2.47	98.90 USD	-0.19 ↓	84.79 - 104.76
⊕ Microsoft Corp	1.89	44.69 USD	0.94 ↑	30.95 - 45.71
⊕ Johnson & Johnson	1.65	101.21 USD	-0.79 ↓	85.50 - 106.74
⊕ General Electric Co	1.47	25.61 USD	-1.04 ↓	22.92 - 28.09
% Assets in Top 5 Holdings	10.81			

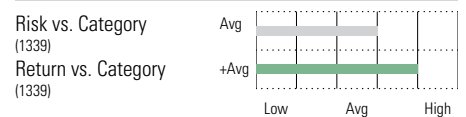
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

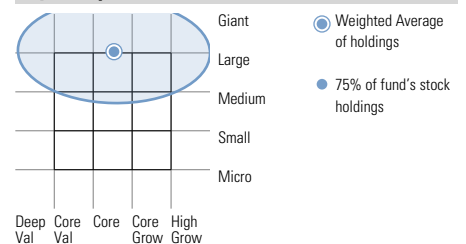
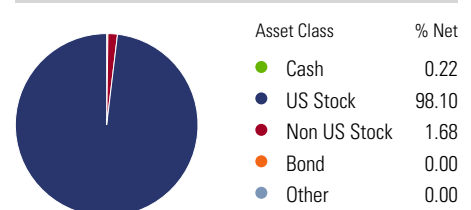
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.21	17.71	16.77	16.52
Financial Services	14.76	15.33	14.41	15.45
Healthcare	13.24	13.40	11.93	13.57
Industrials	11.20	11.68	10.93	12.10
Energy	10.82	10.95	10.27	10.49

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-20	179.83	0.0000	0.0000	0.0000	0.8000	0.8000
2014-03-28	170.15	0.0000	0.0000	0.0000	0.8100	0.8100
2013-12-26	168.64	0.0000	0.0000	0.0000	0.8900	0.8900
2013-09-26	155.55	0.0000	0.0000	0.0000	0.7800	0.7800
2013-06-27	147.70	0.0000	0.0000	0.0000	0.7800	0.7800

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Style Map

Asset Allocation

Management

Start Date
Donald M. Butler
2000-12-31

Vanguard Institutional Index I VINIX

Analysis

This fund offers low-cost, efficient tracking of the S&P 500 Index.

By Michael Rawson 4/2/2014

While it's not possible to invest directly in an index, Vanguard Institutional Index is the next best thing.

For investors who can meet the \$5 million minimum, this fund has had better performance and lower tracking error than any other S&P 500 Index fund. Vanguard 500 Index VFIAX may be more appropriate for investors of more modest means. While there are many S&P 500 Index funds, this fund's low expense ratio, tax efficiency, and minimal tracking error set it apart. During the past 10 years through February 2014, the fund has beaten S&P 500 Index by 4 basis points. In terms of index fund management, no one has done it better. Hence, this fund's Morningstar Analyst Rating of Gold.

The S&P 500 Index has proved to be a difficult benchmark for active managers to beat over the long term, after fees. In simply tracking this benchmark, this fund outpaced more than two thirds of its surviving peers in the large-blend Morningstar Category. Its aftertax performance looks even better, partly because of the index's low turnover.

As a market-cap-weighted index, the S&P 500 Index puts most of its emphasis on large-cap companies, though it also includes some mid-cap stocks. Investors looking for comprehensive exposure to the U.S. stock market could pair this fund with a small-cap fund or a completion index fund. Vanguard Total Stock Market Index VTSAX may also be a suitable alternative. It charges 0.05% but covers a broader swath of the equities market.

Investors in this fund should be prepared for the risk inherent in the stock market. Volatility has averaged about 15% in the last decade, and the index fell 37% in 2008. While it did rebound during the past several years, risk-averse investors or those with a short-term time horizon might consider limiting their allocations to U.S. stocks.

Process Pillar: Positive

Vanguard founder Jack Bogle launched the first S&P 500 Index mutual fund in 1976. At the time, the endeavor was derided as "Bogle's folly" because it was widely believed that the only way to manage money was through active stock selection. Since that time, roughly 36% of U.S. equity fund assets have become passively managed. Vanguard has turned index investing into a science.

This fund follows a full replication strategy, holding essentially all of the 500 stocks in the S&P 500 Index at close to their market-capitalization weights. Scale is important when managing an index fund, as it allows a portfolio to closely mirror an index and helps improve efficiency. With \$160 billion in assets, this is among the largest index funds.

Mutual funds, particularly those with a wide retail following, need to maintain some cash to fund redemptions. Compared with other index funds, this fund has very stable flows, a testament to Vanguard's philosophy of investing for the long term. This allows the fund to hold a lower cash balance than most other funds, which further improves efficiency. Excess cash is invested in S&P 500 futures.

Turnover has averaged about 6%. Low turnover reduces transaction costs and improves tax efficiency. This fund is among the most tax-efficient S&P 500 Index funds available.

The cyclical technology and financials sectors represent the fund's largest sector weightings at 17% and 15%, respectively. The utility and real estate sectors carry the smallest weightings at 3% and 2%, respectively. The average market cap is \$66 billion, and the top-10 stocks account for 18% of the fund's assets. These numbers are lower than the large-blend category averages because most large-blend funds have a greater share of assets in giant-cap stocks.

At about 18 times, the S&P 500 Index's current price/trailing earnings ratio is above its post-World War II median of 16. Historically, future returns have been weaker when starting out at elev-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold	 Silver	 Bronze	Neutral	Negative
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Fund Performance

	Total Return %	+/- Category
YTD	7.11	1.31
2013	32.35	0.85
2012	15.98	1.02
2011	2.09	3.36
2010	15.05	1.04

Vanguard Institutional Index I VINIX

Analysis

ated valuations. Still, stocks look attractive relative to bonds. The 10-year U.S. Treasury note yield of 2.7% is only 70 basis points above the 2.0% dividend yield on the stocks in the S&P 500 Index. During the past 70 years, the Treasury rate has averaged about 280 basis points above this dividend yield.

Based on Morningstar equity analysts' fair value assessments of the fund's underlying holdings, the fund is approximately fairly valued as of this writing.

Performance Pillar: Positive

This fund has one goal: track the performance of the S&P 500 Index as closely as possible. Aided by its low expense ratio, it has enjoyed remarkable success, too.

Investors have gotten more than they paid for. During the past 10 years through February 2014, the fund has returned 7.2% annualized, actually beating the index by 4 basis points. That performance places the fund in the top 29th percentile of all large-blend funds. In any given year, its lowest relative performance rank was 57%. Well-run and low-cost S&P 500 Index funds such as this are unlikely to land at the bottom of any performance ranking.

The standard deviation of the fund's return during the past decade has averaged 14.7%, the same as the index and slightly less than the large-blend category. No fund has had lower tracking error to the S&P 500 Index, a sign of this fund's efficient management.

The fund has been among the most tax-efficient S&P 500 Index funds. In fact, its performance rank improves from the top 29th percentile to the top 21st percentile on an aftertax basis. The fund has not issued a capital gains distribution since 1999.

People Pillar: Positive

Donald Butler, who joined Vanguard in 1992, has been involved with the day-to-day management of this fund since 2000 and has been lead manager since 2005. Butler manages nine other funds for Vanguard, including Vanguard Extended Market In-

dex and Vanguard Mid-Cap Index. He has earned the right to use the Chartered Financial Analyst designation. Butler does not currently have any money invested in this fund.

Butler works within the Vanguard Equity Index Group, which is led by Joseph Brennan. That group includes other long-tenured index portfolio managers such as Donald Butler, Gerard O'Reilly, and Michael Perre. The depth of talent and Vanguard's practice of rotating managers serves to minimize key-manager risk.

Gus Sauter recently resigned as chief investment officer and was replaced by Tim Buckley, who previously led the retail investment group and worked as the chief information officer prior to that. Efficient operations are critical to running an index fund, so Buckley's process-improvement background makes him a sensible successor for Sauter.

Parent Pillar: Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--

especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

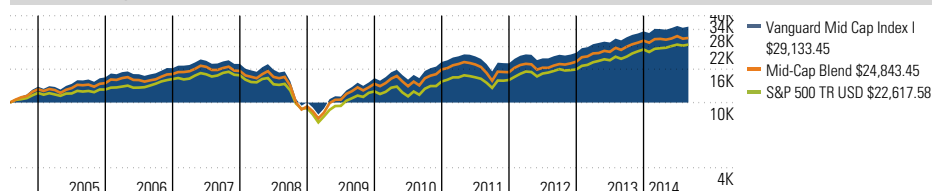
Price Pillar: Positive

Vanguard passes the savings from economies of scale back to the investor in the form of lower fees. The fund's 0.04% expense ratio is among the lowest available, but it requires a \$5 million initial investment. Investors with that much money to invest often command low fees. In fact, that fee is well below even the cheapest institutional share classes at most other fund providers. The fund's sister share class VIIIX has a 0.02% expense ratio, but it also has a higher investment minimum of \$200 million. Fidelity Spartan 500 Index FXSIX charges 0.04% but also restricts access to institutional investors. Vanguard S&P 500 ETF VOO is available for 0.05% with no investment minimum beyond the market price of one share.

Vanguard Mid Cap Index I VMCIX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
32.15	↑0.16 0.50	1.12	51.8	Open	\$5	None	0.08%	★★★★★	Mid-Cap Blend	Mid Blend

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of stocks of mid-size U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,690	9,911	11,788	17,572	23,734	29,133
Fund	6.90	-0.89	17.88	20.67	18.87	11.29
+/- S&P 500 TR USD	-0.23	0.04	-0.55	-0.32	2.18	2.78
+/- Category	2.71	0.58	2.81	1.40	2.25	1.73
% Rank in Cat	16	21	21	36	12	11
# of Funds in Cat	405	407	388	330	311	191

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Western Digital Corp	0.72	100.58 USD	0.22 ↑	59.36 - 102.89
⊕ Vertex Pharmaceuticals Inc	0.68	90.72 USD	0.39 ↑	58.06 - 99.74
⊕ Chipotle Mexican Grill Inc Class A	0.68	678.83 USD	-0.07 ↓	398.00 - 688.43
⊕ Delphi Automotive PLC	0.66	68.66 USD	-0.51 ↓	53.07 - 71.27
⊕ Southwest Airlines Co	0.63	29.74 USD	-0.03 ↓	12.65 - 29.97
% Assets in Top 5 Holdings	3.37			

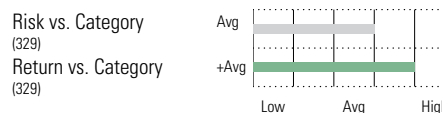
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

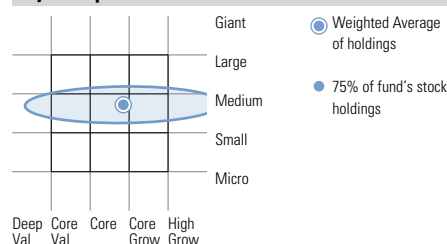
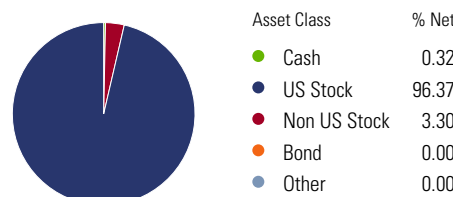
	Fund	3 Yr High	3 Yr Low	Cat Avg
🏠 Consumer Cyclical	17.42	18.44	16.85	15.73
⚙️ Industrials	15.09	15.56	14.95	17.25
💻 Technology	14.46	14.63	14.09	13.97
🏦 Financial Services	10.50	10.61	10.45	13.59
🏥 Healthcare	9.41	9.67	9.54	10.55

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-24	30.84	0.0000	0.0000	0.0000	0.0100	0.0100
2013-12-23	29.73	0.0000	0.0000	0.0000	0.3500	0.3500
2013-03-19	24.98	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-21	22.53	0.0000	0.0000	0.0000	0.3200	0.3200
2012-03-21	22.35	0.0000	0.0000	0.0000	0.0000	0.0000

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★★ Gold

Style Map

Asset Allocation

Management

Donald M. Butler	Start Date
	1998-05-21

Vanguard Mid Cap Index I VMCIX

Analysis

Mid-caps have beaten large caps by an unsustainably wide margin.

By Michael Rawson 5/6/2014

As a passive mid-cap stock fund, Vanguard Mid-Cap Index is ideally suited for investors who wish to add some diversification to a large-cap portfolio that lacks mid-caps or for speculators who wish to tactically overweight mid-cap stocks. Paired with an appropriate investment in large-cap stocks, this fund can help form a diversified domestic-stock portfolio.

The fund's low cost, tight tracking, and experienced management team contribute to its Gold Morningstar Analyst Rating. However, passive investors looking to establish an allocation to U.S. equities would probably be better served by a total stock market index fund rather than separate segment funds.

Over the past 15 years through April 2014, mid-caps have beaten large caps by nearly 5.0 percentage points annualized, a margin that is not likely to persist. That streak of outperformance has caused mid-caps to look expensive.

Still, this fund's 1.10% expense ratio advantage over the average fund in the category will likely help it continue to beat the category average performance in the long term. It has beaten 85% of mid-cap funds that survived the past 15 years.

Mid-cap stocks tend to be riskier than large caps because they are less likely to enjoy economic moats and have greater sensitivity to macroeconomic risks. This risk is evident in their volatility.

The fund tracks the CRSP U.S. Mid Cap Index, which targets stocks that fall between the largest 70th and 85th percentiles of the total U.S. market, based on market capitalization. Vanguard classifies the largest 70% of the market as mega-caps, and classifies as large cap the combination of mega-caps and mid-caps. Because Vanguard Large-Cap Index Fund VLCAX covers the largest 85% of the market, it overlaps with the mid-cap

stocks in this fund.

Process Pillar: Positive

Vanguard Mid-Cap Index tracks the CRSP U.S. Mid Cap Index, which captures stocks that represent the largest 70th to 85th percentile of the U.S. market by market capitalization. The index employs modern index construction techniques designed to appropriately track its mandate while limiting unnecessary turnover and the impact of index front-running. For instance, CRSP applies generous buffering rules to limit turnover when a stock moves into or out of mid-cap territory. When a stock does cross this threshold, CRSP only moves half of the constituent's weight to the new index. If it remains in the new market-cap range at the subsequent index review, CRSP will transfer the remaining half. Like similar indexes from Russell or MSCI, CRSP uses unbiased index inclusion criteria. In contrast, the constituents of the S&P MidCap 400 Index are determined in part by fundamental screens used at the discretion of an index committee.

This fund follows a full index-replication strategy, holding nearly every stock in the index at nearly identical weightings to the index. Like many Vanguard index funds, this fund has both mutual fund and exchange-traded fund share classes. This hybrid structure may help improve tax efficiency because the fund's managers can transfer low-cost-basis shares out of the fund in a tax-free transaction with the ETF's market makers.

The portfolio currently consists of about 374 stocks with an average market cap of about \$10 billion. That's less than the corresponding figure for the large-cap S&P 500 Index (\$67 billion) but slightly more than the S&P MidCap 400 Index's average market cap of \$5 billion, as of the end of March 2014. The fund's sector exposure is diverse, with no sector constituting more than 20% of the fund. Relative to the S&P 500 Index, this mid-cap fund has a greater share of assets in consumer cyclical, real estate, and utilities stocks.

Mid-cap stocks currently trade at a slight premium to large caps based on valuation ratios, such as

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	6.90	2.71
2013	35.17	1.07
2012	16.01	-0.14
2011	-1.96	1.86
2010	25.67	3.15

Vanguard Mid Cap Index I VMCIX

Analysis

price/earnings and price/book. Stocks in the Morningstar US Mid Cap Index trade at a price/fair value of about 1.03, slightly higher than the 0.99 price/fair value for stocks in the Morningstar US Large Cap Index. This premium suggests that the recent outperformance is unsustainable.

However, a premium valuation could be justified if mid-caps are higher quality or are expected to grow earnings at a faster rate. By most measures, mid-caps do not appear to be higher quality. They have a lower return on invested capital and a smaller percentage of assets in wide-moat stocks. Analysts currently forecast that mid-cap stock earnings growth will be about 11%, which is 1% faster than the forecast for large-cap stocks.

Performance Pillar: Positive

Since the height of the tech bubble 15 years ago through April 2014, the Morningstar US Mid Cap Index has outpaced the Morningstar US Large Cap Index by 3.7% annualized. This large return gap is unlikely to continue, since mid-cap stocks do not appear to be cheaper than large caps. During that span, this fund has returned 9.9%, handily beating the 7.9% return of the average fund in the category and placing it in the top 85th percentile of all mid-blend funds that survived the period.

Investors in mid-cap stocks should be prepared for greater volatility. During the past 15 years, the Morningstar US Large Cap Index had a 15.4% standard deviation of return compared with 17.7% for the Morningstar US Mid Cap Index. Index funds strive to be fully invested, so it exposes investors to the full brunt of market downturns. Investors have been rewarded in the long term for staying fully invested, short-term volatility can derail performance for those that follow the crowd and sell during a market downturn.

The fund tracks its index tightly. During the past 10 years, it trailed its composite index by just 0.03 percentage points. It has been tax-efficient as well, with a tax-cost ratio of 0.24% compared with 0.88% for the average fund in the category.

People Pillar: Positive

Donald Butler has managed this fund since its in-

ception in 1998. Butler works in the Equity Index Group under the direction of Joseph Brennan, who oversees a team of experienced index portfolio managers with shared resources. That team includes Butler, Michael Buek, Gerard O'Reilly, Christine Franquin, and Michael Perre, among others.

Between 1998 and 2005, Butler shared portfolio management responsibilities with Gus Sauter, an indexing pioneer who later became Vanguard's chief investment officer. Butler became the sole portfolio manager in 2005 when Gus Sauter stepped aside to focus on his CIO duties.

Butler holds the Chartered Financial Analyst designation. In addition to this fund, he manages a number of index funds, including Vanguard Institutional Index VINIX, Vanguard Extended Market Index VEXMX, Vanguard Mid-Cap Value Index VMCVX, and Vanguard Mid-Cap Growth Index VMGMX.

Although Butler does not own any shares in the fund, this is not uncommon for index funds. Vanguard's compensation plan helps align the portfolio's manager incentives with shareholders'. It rewards managers for effective cost management and improving operational efficiency, which lowers costs and leaves more money in the hands of shareholders.

Parent Pillar: Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: Positive

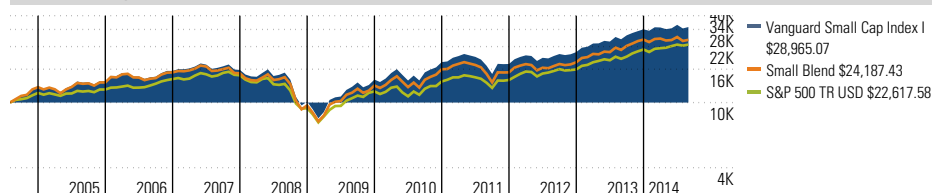
As a no-load fund with no 12b-1 fee, this is one of the lowest-cost ways for obtaining pure exposure to mid-cap stocks. The Admiral shares charge just 0.10%, or \$10 for every \$10,000 invested. That's well below the category average of 1.22% and even cheaper than most mid-cap ETFs. The Admiral share class requires a \$10,000 minimum investment, whereas the ETF share class has the same expense ratio and no minimum investment requirement beyond the price of one share. The Investor share class charges 0.24% and comes with a \$3,000 investment minimum.

Vanguard Total Stock Market Index VTSAX charges just 0.05% and includes mid-cap stocks, so investors who choose to use separate funds for exposure to mid-cap stocks end up paying slightly more.

Vanguard Small Cap Index I VSCIX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
54.41	↑0.16 0.30	1.29	46.9	Open	\$5	None	0.08%	★★★★	Small Blend	Small Blend

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,323	9,852	11,463	17,940	23,669	28,965
Fund	3.23	-1.48	14.63	21.51	18.81	11.22
+/- S&P 500 TR USD	-3.90	-0.55	-3.79	0.52	2.11	2.72
+/- Category	3.37	0.77	3.34	2.61	2.35	1.75
% Rank in Cat	9	15	12	19	9	10
# of Funds in Cat	730	781	693	598	547	341

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Salix Pharmaceuticals Ltd	0.29	138.91 USD	4.26 ↑	64.93 - 141.80
⊕ Cooper Companies	0.29	160.37 USD	-0.06 ↓	116.95 - 163.24
⊕ Hillshire Brands Co	0.28	62.77 USD	0.06 ↑	30.35 - 62.90
⊕ Gannett Co Inc	0.27	34.58 USD	1.56 ↑	23.75 - 35.70
⊕ Harman International Industries Inc	0.27	112.78 USD	-0.19 ↓	63.61 - 118.60
% Assets in Top 5 Holdings	1.41			

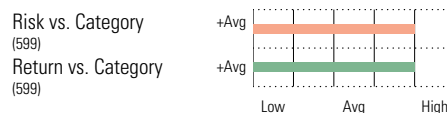
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

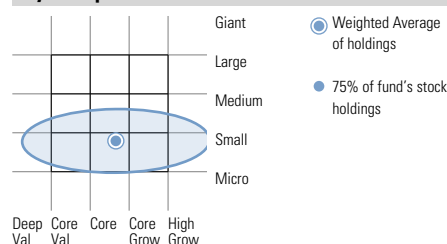
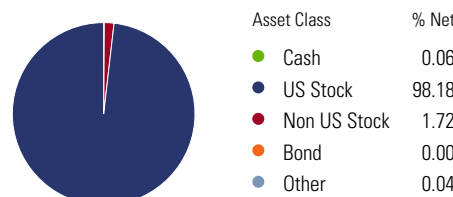
	Fund	3 Yr High	3 Yr Low	Cat Avg	
⚙️ Industrials	17.14	19.32	16.96	19.01	■ Fund ▼ Cat Avg
💻 Technology	15.29	15.01	14.90	15.72	
🚗 Consumer Cyclical	14.62	15.41	13.32	15.41	
🏦 Financial Services	12.55	13.22	12.56	14.85	
🏠 Real Estate	10.89	11.39	9.84	5.94	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-24	54.02	0.0000	0.0000	0.0000	0.0000	0.0000
2013-12-23	52.27	0.0000	0.0000	0.0000	0.6900	0.6900
2013-03-19	43.15	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-21	38.70	0.0000	0.0000	0.0000	0.7200	0.7200
2012-03-21	37.67	0.0000	0.0000	0.0000	0.0100	0.0100

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Style Map

Asset Allocation

Management

Manager	Start Date
Michael H. Buek	1991-12-30

Vanguard Small Cap Index I VSCIX

Analysis

This fund provides great low-cost, diversified exposure to U.S. small-cap stocks.

By Michael Rawson 5/29/2014

Gold-rated Vanguard Small Cap Index is an ideal portfolio building block for long-term, buy-and-hold-investors or for those who wish to tactically overweight small cap stocks.

This fund offers low-cost, diversified exposure to U.S. small cap stocks. Despite their higher volatility, over very long periods of time small-cap stocks may outperform large caps, but this is far from guaranteed. Aggressive investors commonly overweight small caps, which typically make up less than 15% of total market capitalization of the U.S. equity market.

U.S. small caps have historically provided some diversification benefits. The Morningstar Small Cap Index had a correlation of around 0.94 with the S&P 500 Index over the past 10 years. That said, small-cap stocks tend to be riskier, as they exhibit greater sensitivity to macroeconomic risks and typically lack economic moats--or sustainable competitive advantages. The greater risk in small-cap stocks is evident in their volatility. Over the past 10 years, the standard deviation of monthly returns of this fund was 20%, more than 5 percentage points greater than that of large-cap equities, as represented by the S&P 500 Index.

With this greater volatility comes a higher beta, a measure of market risk. Small-cap stocks have earned a return premium of about 2% over large-cap stocks since 1926. For those who want to reap this size premium, be forewarned that the returns for smaller stocks can vary drastically over time, and small-cap stocks can lag large-cap stocks for decade-long periods. Investors should be even more cautious on the prospects of the small-cap premium, given that small caps currently look expensive relative to large caps.

Over the past 10 years, the fund has returned 10.2% on an annualized basis. That outpaced 80% of the competition, which had an average return of

8.3%. Its lowest relative rank in any given year was 52nd percentile. Given the consistency of its performance, low fee, and well-regarded parent, we give this fund a Morningstar Analyst Rating of Gold.

Process Pillar: Positive

The fund employs full replication to track the CRSP US Small Cap Index. Vanguard worked closely with CRSP in the development of the index. Vanguard's institutional knowledge of indexing helps set this fund apart.

The volatility of small-cap stocks can lead to turnover within an index as stocks at the upper end of the small-cap spectrum outgrow the ranks of their peers, often only to fall back into small-cap territory again. To minimize excessive turnover stemming from such volatility, CRSP incorporates bands around its target market-cap ranges that act as buffer zones and transitions stocks between categories in "packets." Effectively, this smooths the movement of a stock from one size segment to the next, which reduces the tendency for volatility to create unnecessary turnover. CRSP excludes business development corporations and uses an inevitability screen that eliminates illiquid stocks such as those that have less than 10% of their share base publicly trading or those with a market cap of less than \$10 million.

This fund has an ETF share class, which feeds into the same pool of assets as the mutual fund share class. This can help improve tax efficiency because the managers can transfer low-cost-basis shares out of the fund in a tax-free transaction with the ETF's market makers. The fund has not made a capital gains distribution since 2000.

Small-cap stocks typically account for less than 15% of the value of the total U.S. stock market, but they are many in number. CRSP defines "small cap" as all those stocks that fall between the 85th and 98th percentile of the market-cap spectrum of the total stock market. Currently, this results in an index composed of 1,440 stocks. Because this approach pulls in a handful of mid-cap names and fewer micro-cap names than the Russell 2000 In-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	3.23	3.37
2013	37.80	0.41
2012	18.26	2.80
2011	-2.65	1.42
2010	27.95	2.34

Vanguard Small Cap Index I VSCIX

Analysis

dex, the average market cap is higher, clocking in at \$2.7 billion versus \$1.4 billion for the Russell 2000. The CRSP index includes all stocks that fall in the market-cap range and meet minimum liquidity requirements. In contrast, the S&P SmallCap 600 Index uses more strict criteria for index additions, such as requiring new constituents to be profitable over the most recent four quarters. The result is that the CRSP index is a more complete representation of the small-cap opportunity, whereas the S&P Index has a slight quality tilt.

Compared with large-cap funds, small-cap indexes have greater exposure to the real estate and industrial sectors but less exposure to energy and consumer staples. The fund's dividend yield is also lower than that of many large-cap funds because many small-cap companies do not pay a dividend.

Performance Pillar: Positive

Over the 10-year period ended April 2014, the fund has returned 10.2% annualized, while the indexes the fund has tracked over that period returned 10.1%. How can an index fund beat its index? The fund's secret is the efficiency derived from its large size combined with its low costs. The fund also employs a conservative securities lending program that helps offset costs. That performance placed the fund in the top quintile of small-blend funds over that 10-year span.

Volatility over this same time frame was 20%, in line with that of its benchmark index. This level of volatility is higher than what is observed in large-cap stocks. This fund's standard deviation of returns was slightly above the category average over the decade in question. It is not uncommon for index funds, which strive to be fully invested, to have higher volatility than actively managed funds, which often maintain a small cash position or can shift exposure over time.

The strong performance of small-cap stocks over the past decade has brought them to a point where they now sell at a higher valuation multiple relative to large caps based on measures such as price/prospective earnings ratios. Investors should temper their return expectations for the next 10-

year period.

People Pillar: Positive

Michael Buek has been managing the fund since 1991 and has been with Vanguard since 1987. In addition to this fund, Buek manages several other index funds, including the Vanguard 500 Index.

Buek works within Vanguard's equity index group. Joseph Brennan was appointed to lead that group in February 2013. Brennan previously worked as the chief investment officer for Vanguard's Asia-Pacific region. Brennan reports to Vanguard's chief investment officer, Tim Buckley, who replaced Gus Sauter in 2012. In addition to Buek, the equity index group includes Gerard O'Reilly, Michael Perre, Donald Butler, and Christine Franquin. Although the listed portfolio manager has ultimate responsibility for the funds that he manages, this group shares resources and best practices across each of Vanguard's index funds.

At Vanguard, compensation helps align managers' interests with shareholders', as bonuses are linked to factors such as operating efficiency, which helps drive down costs.

Parent Pillar: Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education,

commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: Positive

The Admiral share class charges just 0.09%, which is incredibly low for a small-cap fund. While that does require a \$10,000 investment, the ETF share class, Vanguard Small Cap ETF VB, also charges 0.09% but does not have an investment minimum. The fund's expense ratio is nearly 1.2 percentage points lower than the expense ratio for the average small-blend fund.

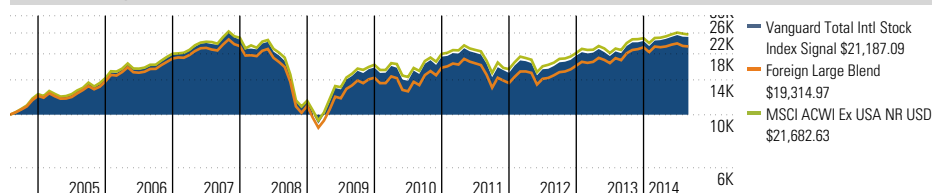
Instead of holding separate funds for large-cap and small-cap exposure, passive investors may be better off building the core of their portfolio with a total market fund, such as Vanguard Total Stock Market VTSAX. This would reduce the need for re-balancing and result in even lower costs, since that fund includes small- and micro-cap stocks yet charges only 0.05%.

Vanguard Total Intl Stock Index Signal VTSGX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
34.32	↑0.14 0.41	3.10	129.9	Limited	—	None	0.14%	★★★	Foreign Large Blend	Large Blend

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States. The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes more than 5,330 stocks of companies located in 45 countries.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,403	9,831	11,233	13,223	14,865	21,187
Fund	4.03	-1.69	12.33	9.76	8.25	7.80
+/- MSCI ACWI Ex USA NR USD	0.34	0.06	0.89	0.06	0.00	-0.25
+/- Category	3.23	0.76	2.96	-0.34	-0.02	0.76
% Rank in Cat	9	14	12	59	—	—
# of Funds in Cat	798	823	777	677	610	320

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.08	69.35 USD	-0.14 ↓	60.50 - 72.05
⊕ HSBC Holdings PLC	0.94	643.50 USD	-1.21 ↓	585.00 - 737.00
⊕ Roche Holding AG	0.93	259.90 USD	-0.99 ↓	226.30 - 274.80
⊕ Novartis AG	0.93	78.00 USD	-1.27 ↓	65.70 - 81.70
⊕ Royal Dutch Shell PLC Class A	0.74	— USD	0.13 ↑	1,975.00 - 2,864.00
% Assets in Top 5 Holdings	4.62			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	21.75	22.42	20.89	20.74
Industrials	11.40	12.58	10.74	11.42
Consumer Cyclical	11.12	11.45	10.39	13.04
Consumer Defensive	9.43	9.86	9.21	10.49
Basic Materials	9.39	11.00	9.44	8.15

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-23	34.91	0.0000	0.0000	0.0000	0.3900	0.3900
2014-03-24	32.62	0.0000	0.0000	0.0000	0.2400	0.2400
2013-12-19	32.62	0.0000	0.0000	0.0000	0.2900	0.2900
2013-09-20	32.60	0.0000	0.0000	0.0000	0.1500	0.1500
2013-06-21	29.11	0.0000	0.0000	0.0000	0.3900	0.3900

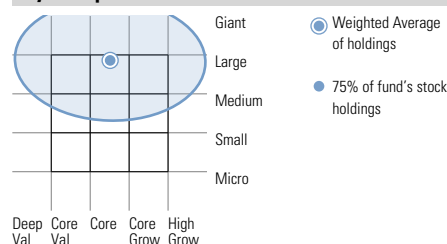
3 Year Average Morningstar Risk Measures

Risk vs. Category (677)	Avg																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	0.48	0.00	0.48	0.01	1.08
● US Stock	0.15	—	0.15	0.09	1.45
● Non US Stock	96.63	—	96.63	98.65	94.00
● Bond	0.00	0.00	0.00	0.00	1.72
● Other	2.74	0.00	2.74	1.26	1.74

Management

Michael Perre	Start Date 2008-08-12
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Vanguard Total Intl Stock Index Signal VTSGX

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
 Neutral
 Negative

Fund Performance

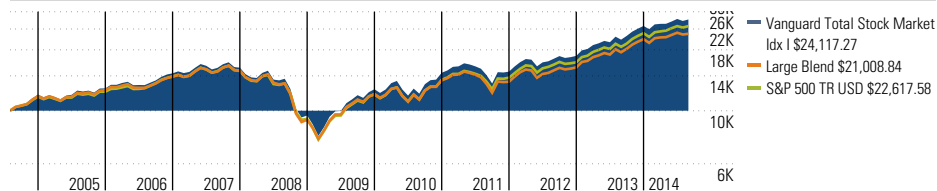
	Total Return %	+/- Category
YTD	4.03	3.23
2013	15.14	-4.30
2012	18.21	-0.08
2011	-14.52	-0.56

We do not currently publish an Analyst Report for this company.

Vanguard Total Stock Market Idx I VITSX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
49.28	↑0.20 0.41	1.77	343.4	Open	\$5	None	0.04%	★★★★	Large Blend	Large Blend

Growth of 10,000 08-14-2004 - 08-14-2014

Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of the overall stock market. The fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange and Nasdaq. It invests by sampling the index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,645	9,904	11,791	17,717	21,999	24,117
Fund	6.45	-0.96	17.91	21.00	17.08	9.20
+/- S&P 500 TR USD	-0.68	-0.03	-0.51	0.02	0.39	0.70
+/- Category	0.65	0.18	1.31	1.69	1.88	1.20
% Rank in Cat	40	36	34	22	11	15
# of Funds in Cat	1,631	1,691	1,570	1,335	1,199	796

* Currency is displayed in USD

Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	2.69	97.60 USD	0.10 ↑	63.89 - 99.44
⊕ Exxon Mobil Corporation	1.99	98.91 USD	-0.18 ↓	84.79 - 104.76
⊕ Microsoft Corp	1.50	44.71 USD	0.98 ↑	30.95 - 45.71
⊕ Johnson & Johnson	1.32	101.21 USD	-0.79 ↓	85.50 - 106.74
⊕ Wells Fargo & Co	1.25	50.13 USD	-0.50 ↓	40.07 - 53.08
% Assets in Top 5 Holdings	8.76			

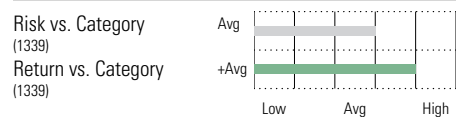
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 06-30-2014

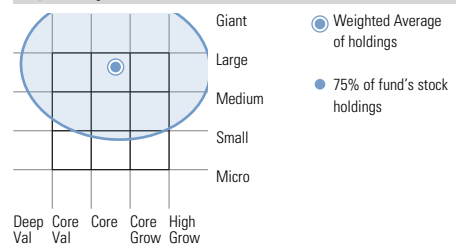
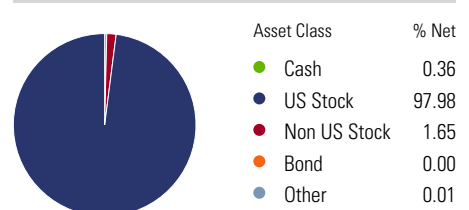
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	16.96	17.36	16.66	16.52
Financial Services	14.33	14.83	13.54	15.45
Healthcare	12.84	13.02	11.55	13.57
Industrials	12.15	12.71	11.87	12.10
Consumer Cyclical	11.17	12.00	11.15	10.44

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-23	49.51	0.0000	0.0000	0.0000	0.2000	0.2000
2014-03-24	47.10	0.0000	0.0000	0.0000	0.2100	0.2100
2013-12-19	45.60	0.0000	0.0000	0.0000	0.2400	0.2400
2013-09-20	43.20	0.0000	0.0000	0.0000	0.2100	0.2100
2013-06-21	39.86	0.0000	0.0000	0.0000	0.1900	0.1900

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Style Map

Asset Allocation

Management

Manager	Start Date
Gerard C. O'Reilly	1994-12-30

Vanguard Total Stock Market Idx I VITSX

Analysis

Capture the entire U.S. stock market with one fund.

By Michael Rawson 4/29/2014

With rock-bottom costs and complete market coverage, this is the quintessential core stock fund.

Vanguard Total Stock Market Index Fund covers virtually the entire U.S. stock market, holding more than 3,600 securities. Investors could use this fund exclusively for exposure to U.S. stocks, or pair it with individual stocks or with active mutual funds. The fund's low cost, broad diversification, and excellent index tracking record warrant a Morningstar Analyst rating of Gold.

The index this fund tracks represents the dollar-weighted average of all investors' U.S. stock holdings. Therefore, its performance should be similar to the average investor's, before fees. However, its 0.05% expense ratio gives it a nearly 1% expense ratio edge over the average large-blend fund. It is difficult for most managers to overcome this hurdle. In fact, this fund has beaten 84% of large-blend funds over the past 10 years.

Total stock market indexes funds cover nearly all listed stocks, so they are more comprehensive than the S&P 500 Index, which focus primarily on large-cap stocks. However, because both indexes use a market-cap-weighting approach, they tend to be highly correlated and have a lot of overlap. Part of the fund's superior performance relative to its peers over the past decade is due to its small- and mid-cap holdings, which have outperformed large-cap stocks during that period. While these stocks may not continue to outperform, the fund's broad diversification should serve investors well over the long run.

This fund may be an appealing holding for taxable accounts. Because it covers the full market-cap range, it is not forced to trade as stocks move across market-cap segments. Its market-cap weighting approach also helps reduce turnover because changes in the market value of each holding mirror changes to their weights in the portfolio. This helps reduce the incidence of large capital

gains distributions. As a result, this fund has been among the most tax-efficient in the large-blend category.

Process Pillar: Positive

The fund tracks the CRSP US Total Market Index which includes nearly all liquid stocks listed on a major U.S. exchange. This pulls in over 3,600 stocks, including mega-caps like Apple AAPL and ExxonMobil XOM as well as hundreds of micro-cap stocks. Because it can be difficult to track so many small stocks, many funds use a sampling approach. However, this fund's large scale allows it to efficiently buy every stock on the exchange at their market-cap weights.

Like many Vanguard index funds, this fund has both a mutual fund and exchange-traded fund share classes, which provides another avenue to improve tax efficiency. Vanguard is diligent in minimizing the tax impact of its trades, keeping track of tax lots to reduce the likelihood of incurring capital gains. Over the past decade, turnover has averaged just 5% compared with 67% for the average large-blend fund. Low turnover helps to improve tax efficiency.

The fund has a conservative securities lending program with less than 1% of fund assets out on loan and gives virtually all proceeds back to the fund, thus improving the fund's performance. Cash holdings average less than 1% of the fund and equity index futures help to reduce the drag from holding cash.

Vanguard Total Stock Market Index fund is a reflection of the U.S. stock market and is broadly diversified across sectors, industries, and individual stocks. Most funds in the large-blend category benchmark themselves to the S&P 500 Index, which is an index of large- and mid-cap stocks. Compared with the category average, this fund has a greater weighting in mid-, small-, and micro-cap stocks. The average market cap for a stock in the fund is \$37 billion, compared with \$98 billion for the category and \$67 billion for the S&P 500 Index.

At about 18 times, the S&P 500 Index's current

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	6.45	0.65
2013	33.49	1.99
2012	16.42	1.46
2011	1.09	2.36
2010	17.23	3.22

Vanguard Total Stock Market Idx I VITSX

Analysis

price/trailing earnings ratio is above its post-World War II median of 16. Historically, future returns have been weaker when starting out at elevated valuations. This fund's price/trailing earnings ratio is slightly higher than the category average, due to the inclusion of so many small-cap stocks.

Still, stocks look attractive relative to bonds. The 10-year U.S. Treasury note yield of 2.6% is only 50 basis points above the 2.1% dividend yield on the stocks in the S&P 500 Index. Over the past 70 years, the Treasury rate has averaged about 280 basis points above the dividend yield. Based on Morningstar equity analysts' fair value assessments of the fund's underlying holdings, the fund is approximately fairly valued as of this writing.

Performance Pillar: Positive

While many advocates of active investing question why anyone would ever want to accept average returns, market averages are hard to beat after fees. In fact, this fund has beaten 84% of its peers over the past 10 years. In that span, the fund outpaced the large-blend category average by 1.2% annualized.

A big part of that outperformance can be explained by the fund's cost advantage. Its larger than average weighting in mid- and small-cap stocks also helped because these stocks outperformed. Going forward, investors should lower their return expectations for the segment.

A potential criticism of index investing is that a passive fund will always be fully invested and offers no downside risk control. During a market sell-off, this fund is likely to be down slightly more than the category average. However, the fund's better upside performance more than made up for the greater downside risk. In aggregate, the fund's volatility is about the same as the category average despite greater small-cap exposure.

This fund has tracked its index better than most of its peers. It exactly matched its spliced index over the past 10 years, without significant deviations month to month.

People Pillar: Positive

Vanguard has a large crew of investment professionals and the infrastructure to support its vast indexing business.

Gerard O'Reilly oversees this fund. He has worked on this fund since 1994 and took over the lead portfolio manager responsibilities from Gus Sauter in 2005. In addition to this fund, O'Reilly manages a number of index funds for Vanguard, including Vanguard Growth and Vanguard Value. According to regulatory filings, he has between \$500,000 and \$1,000,000 invested in the fund. Although less common with index funds, manager ownership is a tangible sign that a manager's incentives are aligned with shareholders.

O'Reilly works within the Vanguard Equity Index Group, which is led by Joseph Brennan. That group includes other long-tenured index portfolio managers such as Donald Butler, Michael Buek, and Michael Perre. The depth of talent and Vanguard's practice of rotating managers serves to minimize key-manager risk.

Gus Sauter recently resigned as chief investment officer and was replaced by Tim Buckley, who previously led the retail investment group and worked as the chief information officer prior to that. Efficient operations are critical to running an index fund. Because of his focus on process improvement, it is fitting that Buckley was chosen as Sauter's replacement.

Parent Pillar: Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent

board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: Positive

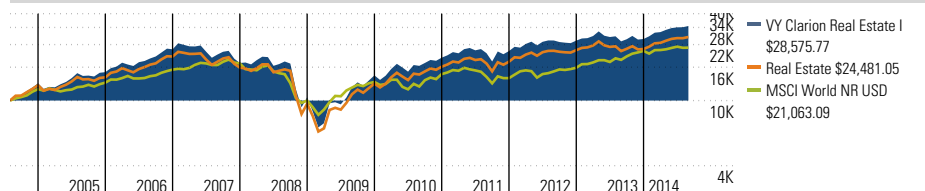
With a razor-thin 0.05% expense ratio, this is one of the lowest-cost funds available. That represents just \$5 for every \$10,000 invested for the Admiral shares (which require a \$10,000 minimum investment). For those who can't meet that investment minimum, Vanguard also offers an Investor share class, which charges 0.17% and requires a \$3,000 minimum. This fund is also available in an ETF share class, which charges the same fee as the Admiral share class and has no minimum beyond the price of one share. That is well below the category average expense ratio of 1.09%, which means that this fund has an annual performance edge of more than 1% out of the gate.

VY Clarion Real Estate I IVRIX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Mil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
32.42	↓-0.03 -0.09	1.58	722.9	Open	—	None	0.61%	★★★★	Real Estate	Mid Blend

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks total return including capital appreciation and current income. Under normal market conditions, the Portfolio invests at least 80% of its assets in common and preferred stocks of U.S. real estate investment trusts ("REITs") and real estate companies. The Sub-Adviser may invest in companies of any market capitalization. However, the Sub-Adviser will generally not invest in companies with market capitalization of less than \$100 million at the time of purchase. The Portfolio also may invest in convertible securities, initial public offerings, and Rule 144A securities. The fund is non-diversified.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	12,008	10,050	11,951	15,386	24,330	28,576
Fund	20.08	0.50	19.51	15.45	19.46	11.07
+/- MSCI World NR USD	15.40	2.15	4.92	-0.30	7.08	3.34
+/- Category	1.67	0.14	2.15	0.50	1.18	2.03
% Rank in Cat	11	28	8	26	8	8
# of Funds in Cat	279	285	264	223	192	147

* Currency is displayed in USD

Top Holdings 06-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Simon Property Group Inc	8.82	168.39 USD	0.08 ↑	142.47 - 177.31
⊕ Equity Residential	5.44	65.37 USD	-0.61 ↓	50.08 - 66.77
⊕ Prologis Inc	4.68	40.72 USD	-0.27 ↓	34.60 - 42.66
⊖ Host Hotels & Resorts Inc	4.65	22.10 USD	-0.27 ↓	16.40 - 23.25
⊕ Health Care REIT, Inc.	4.27	65.32 USD	-0.56 ↓	52.42 - 66.76
% Assets in Top 5 Holdings	27.86			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

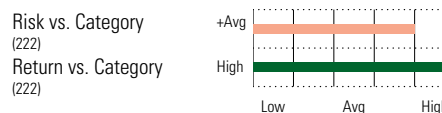
Top Sectors 06-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
🏠 Real Estate	98.56	100.00	97.95	96.06	■ Fund ▼ Cat Avg
🚗 Consumer Cyclical	1.44	1.44	0.00	1.59	
🏭 Basic Materials	0.00	0.51	0.00	0.77	
🏦 Financial Services	0.00	0.62	0.00	0.41	
📞 Communication Services	0.00	0.00	0.00	0.31	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-07-14	32.26	0.0000	0.0000	0.0000	0.5000	0.5000
2013-07-16	29.33	0.0000	0.0000	0.0000	0.4500	0.4500
2012-07-16	27.31	0.0000	0.0000	0.0000	0.3200	0.3200
2011-07-14	24.21	0.0000	0.0000	0.0000	0.3500	0.3500
2010-07-14	18.96	0.0000	0.0000	0.0000	0.7200	0.7200

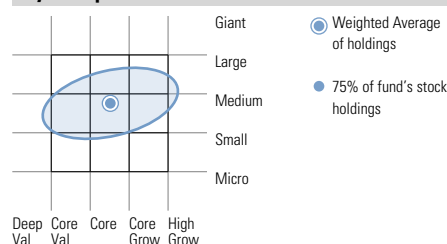
3 Year Average Morningstar Risk Measures



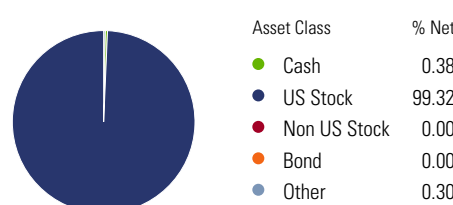
Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map



Asset Allocation



Management

	Start Date
T. Ritson Ferguson	2009-05-01
Joseph P. Smith	2009-05-01

VY Clarion Real Estate I IVRIX

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
 Neutral
 Negative

Fund Performance

	Total Return %	+/- Category
YTD	20.08	1.67
2013	2.27	0.72
2012	15.85	-1.75
2011	9.76	2.25
2010	28.29	1.21

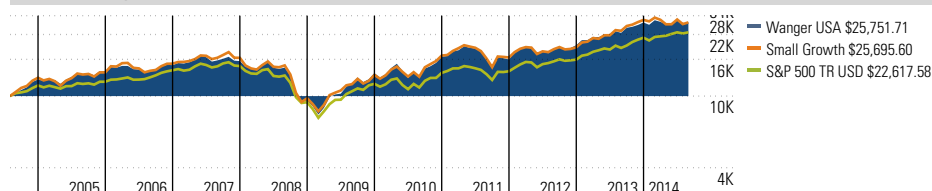
We do not currently publish an Analyst Report for this company.

Wanger USA WUSAX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Mil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.12	↑0.11 0.31	0.00	820.4	Open	—	None	0.96%	★★★	Small Growth	Small Growth

Growth of 10,000 08-14-2004 - 08-14-2014



Investment Strategy

The investment seeks long-term capital appreciation. Under normal circumstances, the fund invests at least 80% of its net assets (including the amount any borrowings for investment purposes) in U.S. companies. Under normal circumstances, the fund invests a majority of its net assets in the common stock of small- and mid-sized companies with market capitalizations under \$5 billion at the time of initial investment.

Performance 08-14-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,037	9,939	11,076	16,319	22,252	25,752
Fund	0.37	-0.61	10.76	17.73	17.35	9.92
+/- S&P 500 TR USD	-6.76	0.33	-7.66	-3.25	0.65	1.42
+/- Category	3.25	0.28	1.33	-0.66	-0.26	-0.32
% Rank in Cat	12	24	33	47	45	57
# of Funds in Cat	71	72	71	67	65	55

* Currency is displayed in USD

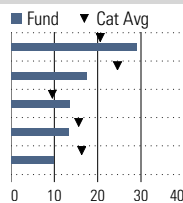
Top Holdings 07-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Ametek Inc	3.75	51.38 USD	-0.29 ↓	42.23 - 54.50
Avis Budget Group Inc	3.63	68.01 USD	1.01 ↑	26.57 - 68.21
Mettler-Toledo International Inc	3.60	266.15 USD	0.13 ↑	217.82 - 268.73
Nordson Corp	3.43	77.76 USD	-0.15 ↓	65.78 - 84.95
Extra Space Storage Inc	3.31	53.82 USD	-0.22 ↓	39.98 - 54.44
% Assets in Top 5 Holdings	17.72			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 07-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	28.92	28.92	24.36	19.67
Technology	17.40	21.22	17.38	23.65
Financial Services	13.42	13.42	11.34	8.61
Healthcare	13.38	14.17	12.10	14.70
Consumer Cyclical	9.90	16.43	9.90	15.40



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-04	35.43	4.9900	0.0700	0.0000	0.0000	5.0600
2013-06-05	34.31	3.3800	0.0100	0.0000	0.0500	3.4500
2012-12-06	32.72	0.0000	0.0000	0.0000	0.1000	0.1000
2012-06-06	30.52	1.6300	0.0000	0.0000	0.0000	1.6300
2011-06-08	32.23	3.1100	0.0000	0.0000	0.0000	3.1100

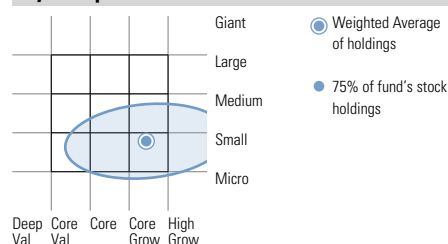
3 Year Average Morningstar Risk Measures

Risk vs. Category (82)	Avg																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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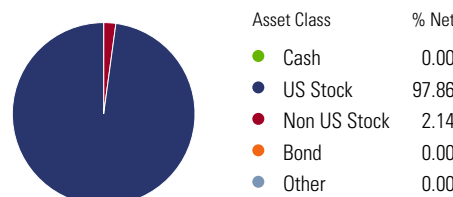
Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map



Asset Allocation



Management

	Start Date
Robert A. Mohn	1995-05-03
William J. Doyle	2014-01-01

Wanger USA WUSAX

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
 Neutral
 Negative

Fund Performance

	Total Return %	+/- Category
YTD	0.37	3.25
2013	33.75	-8.51
2012	20.02	6.02
2011	-3.49	-1.20
2010	23.35	-4.75

We do not currently publish an Analyst Report for this company.